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CABINET AGENDA

for the meeting
on
25 February 2019 at
6.30 pm

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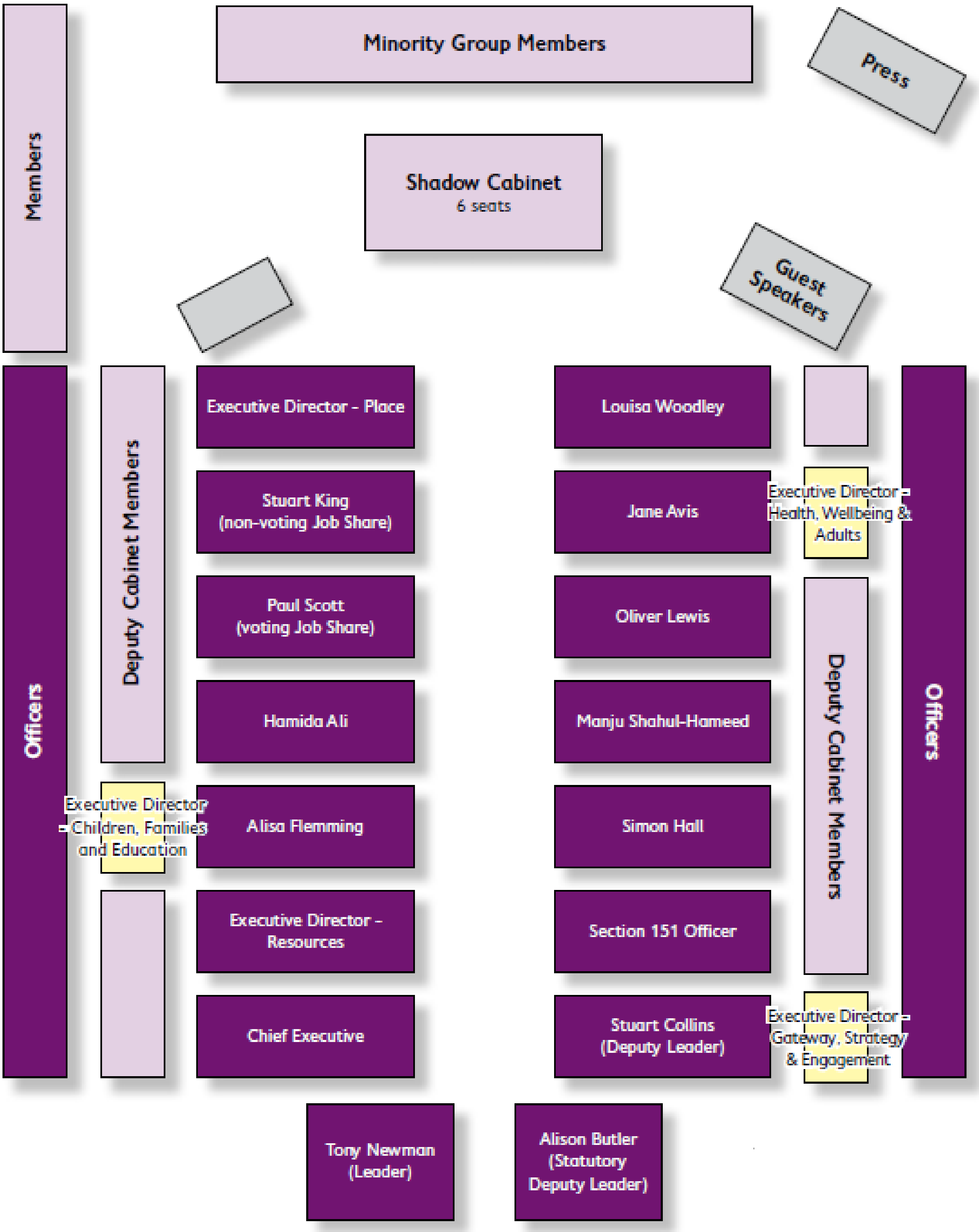
Cabinet Seating Plan



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To: **Croydon Cabinet Members:**

Councillor Tony Newman, Leader of the Council - Budget and Strategic Policy
Councillor Alison Butler, Deputy Leader (Statutory) and Cabinet Member for Homes & Gateway Services
Councillor Stuart Collins, Deputy Leader and Cabinet Member for Clean Green Croydon
Councillor Hamida Ali, Cabinet Member for Safer Croydon & Communities
Councillor Jane Avis, Cabinet Member for Families, Health & Social Care
Councillor Alisa Flemming, Cabinet Member for Children. Young People & Learning
Councillor Simon Hall, Cabinet Member for Finance & Resources
Councillor Stuart King, Cabinet Member for Environment, Transport & Regeneration (non-voting - Job Share)
Councillor Oliver Lewis, Cabinet Member for Culture, Leisure & Sport
Councillor Paul Scott, Cabinet Member for Environment, Transport & Regeneration (voting - Job Share)
Councillor Manju Shahul-Hameed, Cabinet Member for Economy and Jobs

Invited participants:
Councillor Louisa Woodley, Chair of the Health & Wellbeing Board
All other Members of the Council

A meeting of the **CABINET** which you are hereby summoned to attend, will be held on **Monday, 25 February 2019** at **6.30 pm** in **Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX**

JACQUELINE HARRIS BAKER	Victoria Lower
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8 Mint Walk, Croydon CR0 1EA	15 February 2019

Members of the public are welcome to attend this meeting. If you require any assistance, please contact officer as detailed above.
The meeting webcast can be viewed here: http://webcasting.croydon.gov.uk
The agenda papers are available on the Council website www.croydon.gov.uk/meetings

AGENDA – PART A

1. **Apologies for Absence**

2. **Minutes of the previous meeting** (Pages 7 - 18)

   To approve the minutes of the meeting held on 21 January 2019 as an accurate record.

3. **Disclosure of Interests**

   In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Democratic Services representative at the start of the meeting. The Chair will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

4. **Urgent Business (If any)**

   To receive notice of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

5. **Budget and Council Tax 2019/20**

Cabinet Member: Leader of the Council, Deputy Leader (Statutory) and Cabinet Member for Homes & Gateway Services, and Cabinet Member for Finance & Resources

a) **General Fund and HRA Budget 2019/20** (Pages 19 - 134)

   Officer: Lisa Taylor
   Key decision: Council Tax recommendations are reserved to Council.
   Housing rents and charges are Key Executive Decisions

Cabinet Member: Cabinet Member for Finance & Resources

b) **Quarter 3 Financial Performance Report 2018/19** (Pages 135 - 160)

Officer: Lisa Taylor
Key decision: no

Cabinet Member: Cabinet Member for Finance & Resources

c) **Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2019/20** (Pages 161 - 206)

Officer: Lisa Taylor
Key decision: no

Cabinet Member: Deputy Leader (Statutory) and Cabinet Member for Homes & Gateway Services

6. **Housing Asset Management Plan** (Pages 207 - 240)

Officer: Shifa Mustafa
Key decision: no

Cabinet Member: Deputy Leader (Statutory) and Cabinet Member for Homes & Gateway Services, and Cabinet Member for Finance & Resources

7. **Brick by Brick Annual Business Plan** (Pages 241 - 280)

Officer: Shifa Mustafa
Key decision: no

Lead Member: Chair of Scrutiny & Overview Committee

8. **Stage 1: Recommendations arising from Scrutiny** (Pages 281 - 286)

Officer: Jacqueline Harris Baker
Key decision: no

Cabinet Member: All Cabinet Members

9. **Stage 2 Response to Recommendations arising from Scrutiny & Overview Committee on 30 October 2018 and Streets, Environment & Homes Scrutiny Sub-Committee on 6 November 2018** (Pages 287 - 294)

Officer: Jacqueline Harris Baker
Key decision: no

Cabinet Member: Cabinet Member for Finance & Resources

10. **Investing in our Borough** (Pages 295 - 302)

Officer: Jacqueline Harris Baker
Key decision: no

11. Exclusion of the Press and Public

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

Cabinet

Meeting held on Monday, 21 January 2019 at 6.30 pm in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Tony Newman (Chair);

Councillor Alison Butler, Stuart Collins, Hamida Ali, Jane Avis, Alisa Flemming, Simon Hall, Stuart King (non-voting - Job Share), Oliver Lewis, Paul Scott (voting - Job Share) and Manju Shahul-Hameed

Also Present: Councillor Jamie Audsley, Jason Cummings, Patsy Cummings, Nina Degrads, Sean Fitzsimons, Clive Fraser, Maria Gatland, Lynne Hale, Simon Hoar, Yvette Hopley, Bernadette Khan, Shafi Khan, Stuart Millson, Vidhi Mohan, Steve O'Connell, Helen Pollard, Tim Pollard, Joy Prince, Robert Ward, David Wood and Louisa Woodley

Apologies: Councillor Patricia Hay-Justice

PART A

The Leader requested the meeting stand for a minutes silence in memory of Councillor Maggie Mansell who had sadly passed away. The Leader remembered her passion for equality, her compassion and her unswerving commitment to the community she served.

1/19 Minutes of the previous meeting

The part A minutes of the Cabinet meeting held on 10 December 2018 were received. The Leader of the Council signed the minutes as an accurate record.

2/19 Disclosure of Interests

There were none.

3/19 Urgent Business (If any)

There were no items of urgent business.

4/19 Community Safety presentation

The Leader thanked Sophie Linden, Deputy Mayor for Policing and Crime, for attending and speaking at the meeting.

The Cabinet Member for Safer Croydon & Communities noted that there had been genuine collaboration with the GLA on improving community safety and thanked the CSCB Board Manager for her work in this area.

Following the report to Cabinet in November 2018, the Cabinet Member gave Members an update on the establishment of a violence reduction unit. A conference had been held the previous week which had been hugely successful with a large turnout which was highly engaged in the ongoing work.

Discussions had been held on four key areas – what we are doing, what we can do differently, how we can achieve it, and what success looks like. It was recognised that it was important that the best use of data and analytics was imperative, including information from community groups. It was further noted that knowledge of the impact of adverse childhood experiences should also inform responses to reducing violence.

The importance of communities was recognised as being an important factor in violence reduction, and the Cabinet Member stated that voluntary sector funding would facilitate this. It was important to work towards zero homicide, reductions in domestic violence and reductions in youth violence.

Members were informed that the key messages which came from the conference were that it was important to work with statutory and community partners, ensuring that data drove the work to ensure maximum impact, a network of community interventions was necessary. It was recognised that they were not working from scratch, but would work upon the positive work already undertaken and would ensure transparency and openness with their work with partners.

The Cabinet Member noted that a key part of the public health approach to violence reduction was to use all data and respond to what it was showing. It was further stated that building a strong coordinated network of statutory and community partners would be important to ensure the success of the work.

In the coming months it was planned that a series of panels would take place with partners which would test and agree the new approach. In testing and agreeing the approach, they would hear statutory partners, community partners, and also those affected to ensure the approach would be the most affective. The Cabinet Member further informed Members that conversations would continue with regional and national colleagues to ensure best practice was followed, and it was intended that external funding would be sought over the coming months.

The Deputy Mayor for Policing & Crime informed Cabinet that the Mayor's Office for Policing & Crime (MOPAC) was looking at how different organisations could work together to tackle violence, and welcomed the work that was being undertaken in Croydon.

Whilst it was noted that the public health approach was important to tackling violence, the Deputy Mayor stated that enforcement was an important factor to consider also and the Mayor continued to invest in enforcement.

The Deputy Mayor stated that violence and the cause of people being involved in violent activities was multifaceted and as such the work to combat violence also needed to be multifaceted. It was important that not only statutory partners were involved in the work, but also community partners to ensure it was as wide reaching as possible.

It was stated that the vision for the central unit would be that it was a small, central body that would look at the strategic approach. It would be important to ensure that all London boroughs were learning lessons from across the capital as it was recognised that really good work was taking place, as the Violence Reduction Unit was to be a long term strategy for tackling violence.

The Deputy Mayor reiterated that it was violence in all its forms, not just street violence but also domestic and sexual violence, which was to be the purview of the Unit. It was recognised that there were links across all forms of violence and it was important to have a long term approach to tackle violence to ensure the root of the issue was addressed.

Members were informed that the Mayor was investing in services which would make a real difference to young people through the Mayor's Youth Fund of £45 million. The Deputy Mayor also highlighted the work of Charlton Football Club which had launched a mentoring programme for young people which was being led by people who had previously been involved in gangs and wanted to help others to not get involved. It was suggested by the Deputy Mayor that the next round of the Youth Fund could be looked at by Croydon for additional funding. Additionally, the Deputy Mayor noted that there was Community Seed Funding which sought to support community groups in their work to tackle violence.

The Deputy Mayor concluded that working together with a network of partners and the Police would ensure that a reduction in violence is realised. Perpetrators must be arrested to ensure communities were safe and violence is tackled in the long term.

Members were supportive of any model which sought to reduce violence and noted that not only Glasgow had seen a reduction but also the West Midlands. It was recognised that it was too early to ask many questions as the unit was still being formed, but it was stated that it was expected that the unit would be different from previous projects. It was further noted that it would be important to look and tackle youth crime, but it was important that other forms of crime were looked at including homicide and domestic violence.

Members congratulated the Cabinet Member for a successful conference to launch the Croydon Unit as all sectors of the community were engaged with the process and the speakers were interesting and passionate.

In response, the Cabinet Member confirmed that all forms of violence were the purview of the unit and it was the expectation that the unit would be different as partners, both statutory and community, would be working together on a coordinated response. Furthermore, the Cabinet Member confirmed that the Unit would hear from those first hand who had been involved in violence which would also inform the work being undertaken.

The council's record on domestic violence was recognised and the Cabinet Member confirmed that the unit would continue to work with the Family Justice Centre on this matter. The Cabinet Member further informed Members that the council was piloting the MOPAC programme – Drive – which sought to identify high risk perpetrators.

The Deputy Mayor further stated that it was important to not segregate out different types of violence and that it was imperative to tackle all forms of violence to see a long term reduction.

It was felt that there was hope for the future, as the Deputy Mayor confirmed that a number of people were having similar discussions across London. It was stated that a public health approach with enforcement would ensure progress was made as all involved were passionate to see a long term benefit.

The Leader of the Council delegated to the Cabinet the power to make the decisions set out below.

RESOLVED to note the presentation.

5/19 Croydon Creative Enterprise Zone

The Cabinet Member for Culture, Leisure & Sport informed Members that shortly before Christmas it had been announced that the council had been successful in its bid to be awarded Creative Enterprise Zone status. Members were informed that work in regards to the Creative Enterprise Zone would concentrate initially on the town centre and the council would continue to work with a core group of diverse organisations to develop the plans.

The Cabinet Member noted that there were considerable strengths within the borough, both formal and informal, and it was intended to build upon these strengths such as the borough's music history. It was stated that the status of having a Creative Enterprise Zone and the associated funding would enable culture and creativity in the borough to flourish further.

The Cabinet Member for Economy & Jobs further stated that it was an excellent opportunity for Croydon and would help further develop the borough, as it was important that culture was at the heart of regeneration. Members were informed that Croydon Works would work with the scheme, particularly in regards to the training projects. The Cabinet Member stated also that an online list of properties suitable for creative businesses was being created which would facilitate new businesses to come to the borough and further develop the culture offer.

Councillors welcomed the paper and congratulated those involved in the successful bid. It was stated that it was hoped that the project would reinforce Croydon as a cultural centre in London, particularly with work continuing on the Music City project.

In response to Member questions, the Cabinet Member stated that it would be possible to create a map which showed the location of all the partners involved in the Creative Enterprise Zone. Concerns were raised, however, by the Cabinet Member that Selsdon would not be an appropriate spoke to the central zone but welcomed the suggestion of possible viable locations.

The Leader of the Council delegated to the Cabinet the power to make the decisions set out below.

RESOLVED to note the contents of the report.

6/19 Strategic Approach to Community Led Housing Provision

The Leader thanked guests from Croydon Citizens for attending the meeting for the item. The Cabinet Member for Homes & Gateway Services informed Members that Community Led Housing was seen as part of the jigsaw of ensuring affordable housing provision was delivered across the borough. The council would facilitate ensuring land was available and would ensure there was an equal and fair voice for all those who were interested in developing these projects. It was further noted by the Cabinet Member that the Mayor had launched a £38million fund to facilitate community led housing, and it was hoped projects in Croydon would utilise this fund.

Members were shown examples of Community Led Housing; including co-housing which reduced loneliness and created a community, resident-led regeneration which empowered residents, and developer enabled regeneration. The proposals within the paper were for developer enabled housing with Brick by Brick supporting the proposals through the social responsibility commitment.

Mother Joyce Forbes addressed Cabinet stating Croydon Citizens was an alliance which represented local residents and had campaigned for community led housing in the borough for the last four years. While Mother Joyce was able to buy her first home at the age of 23, she noted many residents were no longer able to afford their own homes unless they moved out of their community. The housing crises, it was stated, was breaking up families. Roos Stewart went on to say that at current housing prices, he and his partner were priced out of Croydon.

It was the intention of Croydon Citizens to develop community led housing in the borough which would deliver truly affordable homes. It was noted that sites across London showed that the model of community led housing was achievable and built rooted communities.

Mother Joyce urged Cabinet to be as ambitious as possible and requested that all sites were 100% affordable. Croydon Citizens stated they looked forward to seeing the five proposed sites become a reality and thanked the council for its commitment to assisting community led housing.

Members noted that in addition to community led housing, there had been a commitment by Crystal Palace Football Club to host temporary overnight accommodation for homeless people during freezing temperatures. Crystal Palace and all those involved in the council were thanked for their hard work in ensuring this took place. The Cabinet Member further noted Croydon Churches also provided shelter and thanked them for their continued support and hard work.

Members supported the proposals of community led housing and were encouraged by the enthusiasm shown by Croydon Citizens. In response to Member questions the Cabinet Member stated the identified sites were those which Brick by Brick had already assessed and it was stated they would be excellent partners in supporting the projects through the social responsibility requirements. The Cabinet Member further stated however, if there were any developers in the borough who had sites and were interested in community led housing then it was felt there would be interested groups who could develop the sites.

In response to Member questions the Cabinet Member stated that it would be an aspiration for the housing to be 100% affordable. It was noted that there were enthusiastic groups who understood the size of the project, and the council would seek to put everything in place to enable them to realise their ambitions.

Members noted that the Church was an ancient landowner across the country and the Cabinet Member stated that she saw no reason why the council would not be able to work with the Church to support the delivery of community led housing, if the Church was interested.

The Leader of the Council delegated to the Cabinet the power to make the decisions set out below.

RESOLVED: to

1. Approve the pledge to support community led housing as set out in the report under 2.5; and

2. Approve the strategic approach to delivery of community led affordable housing commencing with a set of pilot sites as set out in the report.

7/19 **Education Estates Strategy**

The Cabinet Member for Children, Young People & Learning stated that the annual report ensured the council met its duties to ensure there was a sufficient supply of school places throughout the education system. Forecasts suggest that there were sufficient places for the next five years as there had been a 5% drop in the birth rate in the borough.

Work continued on ensuring the education estate provided good quality buildings for young people to be educated in so as to ensure improved outcome for young people. Cabinet was shown a video of the construction of a new education space at West Thornton Academy which provided a different environment from traditional classrooms. This was part of the clear direction of travel of ensuring young people received the best education which reflected modern thinking.

With regards to SEN provision, Cabinet was asked to note the work that had been undertaken to establish the Addington Valley SEN free school, which was to be fully funded by the Education Funding Agency. Further work had also been undertaken to develop SEN provision in the borough with St Nicolas to be expanded to provide two new forms of entry.

Cabinet was informed that challenges remained, with some parts of the borough having more school places than necessary, however it was intended to develop housing where there was available provision in schools. It was further noted that some school buildings required high levels of maintenance, and the cost of building maintenance had increased. The Cabinet Member stated it was important to ensure that schools continued to receive the required level of funding to maintain these buildings and provide good education standards for children.

Members were informed that a fire safety audit had been completed in October 2018, and it was noted that there were management requirements for all schools to meet fire safety standards. It was intended to ensure all schools had the required management arrangements in place by March 2020.

In response to Member questions the Cabinet Member stated that most surplus places were at primary school level and it was anticipated that the surplus places at secondary schools would be filled by the bulge classes moving through primary education at present. In response to the surplus places at primary level it was intended that in-year reductions in classes would be undertaken.

In relation to the Pupil Referral Units the Cabinet Member stated that land from John Ruskin College was being refurbished and work had continued with Saffron Valley Collegiate to ensure good provision for PRUs.

Members queried whether the council was able to encourage schools to let out their facilities out of school hours to community groups; however the Leader stated that the local authority had a reduced influence on schools and the use of their facilities as many were academies. The Cabinet Member further noted that while a number of community groups were using school facilities, it was on a case by case basis and in agreement with the school and not the council. It was recognised that the hire costs were occasionally prohibitive for community groups; however the Cabinet Member stated that it was important that schools were at the heart of the community and she would thus work with anyone who would support this further.

The Deputy Leader (Statutory) noted that some schools did ensure they were at the heart of the community with the Harris Invictus Academy in West Croydon hosting the first Crisis Centre in Croydon. The school was thanked for their work in supporting the local community.

The Leader of the Council delegated to the Cabinet the power to make the decisions set out below.

RESOLVED: to

School Place Planning

1. Note the review of mainstream school pupil projections undertaken and submitted to the Department for Education (DfE) in July 2018 – available places vs SCAP18 forecasts – at Appendix 1 of the report;

2. Early Years Provision
   Note publication of the 2018 Childcare Sufficiency Assessment report – at Appendix 2 of the report;

3. Alternative Provision / Pupil Referral Unit (PRU)

3.1 Note the intention that the Cabinet Member for Finance and Treasury in consultation with the Leader will approve the lease of land from John Ruskin College and to delegate authority to the Executive Director, Children, Families and Education to agree terms and sign the lease;

3.2 Note the entering in of a licence for refurbishment of the existing Cotelands PRU building at John Ruskin College;

Special Educational Needs and Disability

4. Agree the proposed Special Educational Needs and Disability (SEND) School Place Supply Strategy (at paragraph 3.44, Table 1 of the report) for the next 3 academic years – 2019/20 to 2021/22;

5. Consider the responses to statutory consultation and approve the proposed extension of the age range from 4 – 11 to 2 - 11 for Red Gates School from September 2019 – at Appendix 3 of the report;

6. Note that the ESFA commissioned Croydon to lead on the delivery of the new special free school - Addington Valley Academy (Timebridge site) which will be fully funded by the ESFA at a budget of £13.510m (paragraphs 3.29-3.31 of the report);

7. Note update on the partnership with Croydon Further Education (FE) college to establish new local post 16 places in an SEN Centre of Excellence (paragraphs 3.32-3.33 of the report);

8. Note the continued planned expansion of secondary autism Enhanced Learning provision at Oasis Arena. (paragraph 3.34 of the report);

School Admissions

9. Agree to recommend to full Council the proposed changes to the admission arrangements for the 2020/21 academic year – Appendix 4 of the report (*Consultation outcomes report*)
    - Acceptance of first preference offers as part of the coordinated admission arrangements
    - Pan-London primary and secondary coordinated admissions schemes and post offer process (main rounds of admissions)
    - The processing of overseas applications for admission to school within the normal admissions rounds (excluding Crown servants)

10. Agree to recommend to full Council that it determine the proposed Community schools Admission Arrangements for the 2020/21 academic year (Appendix 4a of the report),
    - adoption of the proposed Pan London scheme for co-ordination of admissions to Reception and Junior schools – at Appendix 4b of the report; and
    - adoption of the proposed Pan London scheme for co-ordination of admissions to secondary schools – at Appendix 4c of the report;

Capital Programme

11. Approve the Capital Programme as set out in Appendix 5a of the report;

School Maintenance and Compliance

12. Note the detailed proposed Schools' Maintenance Plan for 2019/20 of £2m as set out in Appendix 5 of the report and delegate authority to the Executive Director, Children, Families and Education to vary the plan to reflect actual prices and new urgent

issues that may arise, including authorising spend against the allowance for emergency and reactive works. The Executive Director, Children, Families and Education shall report back to members in respect of any exercise of such authority; and

13. Note progress made on fire safety works in Croydon community schools (paragraphs 5.17 – 5.21 of the report).

8/19 **London Councils Grants Scheme 2019/20**

The Cabinet Member for Safer Croydon & Communities informed Members that the paper was a routine report taken to every January Cabinet meeting which set out the contribution Croydon would make to the London Councils Grants Scheme. Members were informed that the contribution was calculated on the basis of population size and thus Croydon would make the second highest contribution.

The Leader of the Council delegated to the Cabinet the power to make the decisions set out below.

RESOLVED: to

1. Approve the London Councils Grants Scheme budget for 2019/20 of £6.909m; and

2. Agree Croydon Council’s 2019/20 contribution to the London Councils Grants Scheme budget amounting to £290,784.

9/19 **Stage 2 Response to Recommendations arising from Health and Social Care Scrutiny Sub-Committee (25 September 2018) and Streets, Environment & Homes Scrutiny Sub-Committee (9 October 2018)**

The Chair of Scrutiny & Overview Committee noted the responses from Cabinet to recommendations made at scrutiny committees, and informed Cabinet that the responses would be considered by the relevant committees and further recommendations may be made. The Leader requested all Cabinet Members to actively be involved in the process.

The Leader of the Council delegated to the Cabinet the power to make the decisions set out below.

RESOLVED to approve the response and action plans attached to the report at Appendix A and that these be reported to the Scrutiny and Overview Committee or relevant Sub-Committees.

10/19 **Investing in our Borough**

The Cabinet Member for Finance and Treasury informed Cabinet that the report outlined how the council was continuing to realise value for money through the award of contracts. In response to Member questions, the Cabinet Member stated there were plenty of examples across the borough of good quality family homes being built.

The Leader of the Council delegated to the Cabinet the power to make the decisions set out below.

RESOLVED: to note

1. The contracts over £500,000 anticipated to be awarded by the nominated Cabinet Member, in consultation with the nominated Cabinet Member for Finance and Resources or, where the nominated Cabinet Member is the Cabinet Member for Finance and Resources, in consultation with the Leader;

2. The list of delegated award decisions made by the Director of Commissioning and Procurement, between 10/11/2018 – 11/12/2018; and

3. Property acquisitions and disposals to be agreed by the Cabinet Member for Finance and Resources in consultation with the Leader since the last meeting of Cabinet.

RESOLVED: to recommend

1. To the Leader of the Council, that prior to the next meeting of Cabinet in February, the Cabinet Member for Families, Health and Social Care, in consultation with the Cabinet Member for Finance and Resources be authorised to agree the awards of contracts related to the Crosfield House redevelopment for the purposes set out in the procurement strategy approved by Contracts & Commissioning Board on 17 December 2018 (decision reference CCB1442/18-19). The reasons for this delegation are set out in paragraphs 4.4.1 to 4.4.3 of the report and any awards made under this delegation will be notified in the standard contracts report at future Cabinet meetings.

11/19 **Exclusion of the Press and Public**

The item was not required.

The meeting ended at 8.06 pm

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REPORT TO:	**Cabinet 25th February 2019**
SUBJECT:	**General Fund & HRA Budget 2019/20**
LEAD OFFICER:	**Lisa Taylor, Director of Finance, Investment and Risk (Section 151 Officer)**
CABINET MEMBER:	**Councillor Tony Newman, Leader Of The Council** **Councillor Simon Hall, Cabinet Member For Finance And Resources** **Councillor Alison Butler, Deputy Leader (Statutory) And Cabinet Member For Homes And Gateway Services**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT:

The Council's budget underpins the resource allocation for all corporate priorities and policies and in particular, the corporate priority for the delivery of value for money for the residents of the borough of Croydon. This report sets out the detailed proposals for the financial year 2019/20.

FINANCIAL SUMMARY:

The report details the revenue and capital budgets for the General Fund for 2019/20, including the Council Tax increase of 2.99% and the 1% increase for the Adult Social Care precept, the budget for the Housing Revenue Account and the 1% decrease in Housing Rents for 2019/20.

FORWARD PLAN KEY DECISION REFERENCE

The recommendations in section 1.1 are not executive decisions and therefore not key decisions – the final decisions are to be recommended to the Full Council for consideration at the meeting scheduled for 4th March 2019.
The recommendations in section 1.2 I, II and III are key executive decisions (reference no.03/19/CAB). The decisions may be implemented from 1300 hours on the 5th working day after it is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.

1. RECOMMENDATIONS

The Leader of the Council has delegated authority to the Cabinet to make the following decisions:

1.1 That Cabinet recommend to full Council:

I. A **2.99**% increase in the Council Tax for Croydon Services (a level of increase Central Government has assumed in all Councils' spending power calculation).

II. A **1.0**% increase in the Adult Social Care precept (a charge Central Government has assumed all councils' will levy in its spending power calculations).

III. The GLA increase of **8.93%, of which** 91% of which is being used for the Metropolitan Police service and 9% is being used for the fire service.

With reference to the principles for 2019/20 determined by the Secretary of State under Section52ZC (1) of the Local Government Finance Act 1992 (as amended) confirm that in accordance with s.52ZB (1) the Council Tax and GLA precept referred to above are **not excessive** in terms of the most recently issued principles and as such to note that no referendum is required. This is detailed further in section 3.5 of this report.

IV. The calculation of budget requirement and council tax as set out in Appendix D and E. Including the GLA increase this will result in a total increase of 4.88**%** in the overall council tax bill for Croydon.

V. The revenue budget assumptions as detailed in this report and the associated appendices :-

VI. The programme of revenue savings and growth by department for 2019/20 (Appendix A).

VII. The Council's detailed budget book for 2019/20 (Appendix B).

VIII. The Capital Programme as set out in section 16, table 16 and 17 of this report.

IX. To note there are no proposed amendments to the Council's existing Council Tax Support Scheme for the financial year 2019/20.

X. The adoption of the Pay Policy statement at Appendix H;

XI. Approve the increase in premium for long-term empty dwellings with effect from 1st April 2019 as set out in section 9.10 of this report and Appendix I.

XII. The adoption of the Adult Social Care Charging Policy with effect from the 1st April 2019 as set out in section 8.11 and appendix J of this report.

1.2 That Cabinet agree:

I. A rent decrease for all Council tenants for 2019/20, in line with the Government's social rent policy which has legislated to reduce social rents by 1%.

II. No increase to Garage and Parking space rents.

III. No increase to the service charges for caretaking, grounds maintenance and bulk refuse collection as detailed in section 17.

1.3 That Cabinet note:

I. That in respect of the Council's public sector equalities duties where the setting of the capital, revenue and HRA budget result in new policies or policy change the relevant service department will carry out an equality impact assessment to secure delivery of that duty including such consultation as may be required.

II. The progress being made towards balancing the Council's financial position for 2018/19 as at Quarter 3 and the current projected outturn forecast of £5.466m as set out in the report at item 5b on this agenda.

III. The response to the draft local government settlement which is attached at Appendix F.

IV. That pre-decision scrutiny of the proposed budget 2019/20 took place at the Scrutiny and Overview Committee on the 15th January 2019. The Scrutiny and Overview Committee agreed to recommend that the Cabinet Member for Finance and Resources be invited to attend a meeting of the Committee early in the new municipal year to discuss with Members the process for setting the following year's budget.

V. The statement on reserves and balances and robustness of estimates from the statutory Section 151 Officer.

2. EXECUTIVE SUMMARY

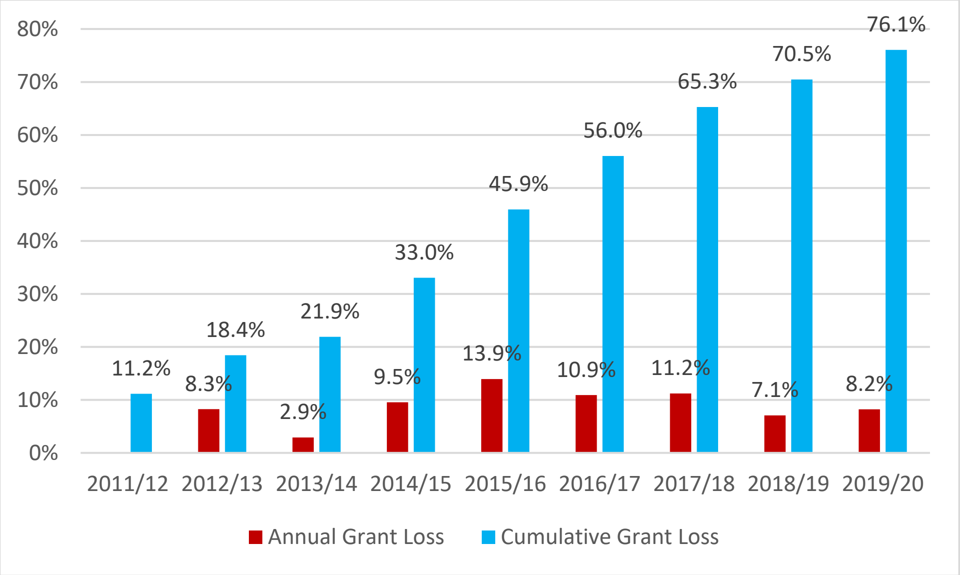
2.1 This report sets out the context and challenges faced by the council in setting a balanced budget for the financial year 2019/20, and gives an update on the key issues from the Draft Local Government Financial Settlement on the 13 December 2018.

2.2 This report also looks at the changes and challenges faced by local government and particularly Croydon in terms of its continued reduction in funding and the financial resources available to deliver the key services for the authority. Graph 1 below gives details of Croydon's grant reductions for the period 2011/20.

2.3 The report updates on the assumptions and proposed changes that will underpin the 2019/20 budget. The draft growth and savings plans for 2019/20 are then set out in Appendix A. The report also gives details of the forecast financial performance of the Council for 2018/19.

2.4 This administration has been determined to deliver on the priorities it set out in its Ambitious for Croydon manifesto, notwithstanding the pressures that come, directly or indirectly, from Central Government. This budget reflects the continued delivery of those priorities.

Graph 1: Croydon's Grant Reductions 2011/20



3. Local Government Finance Settlement 2019/20.

3.1 The provisional 2019/20 Local Government Settlement was announced on the 13 December 2018 by the secretary of state for Housing, Communities and Local Government. In headline terms there were no material changes announced that changed the assumptions made for Croydon in the Medium Term Financial Strategy (MTFS).) On 5 February 2019, these provisional figures were made final by Parliament, with none of our representations having been recognised.

3.2 In terms of funding for Croydon, the settlement confirmed year 4 of the four year spending plans announced in 2015. This saw a reduction in Settlement Funding Assessment (SFA) of **£7.8m or 8.2%.** As announced in the budget, a social care support grant worth approx. £410m nationally will be made available in 2019/20. The government is consulting on the methodology for allocation and based on their preferred methodology Croydon will receive £3.8m.

3.3 Additional funding of £1.1m has also been allocated as part of the Flexible Homelessness Support Grant to fund the rising costs of managing Homelessness.

3.4 Public Health funding allocations for 2019/20 were confirmed on the 20 December. Croydon's allocation was confirmed as £20.785m, a reduction of nearly £0.6m.

3.5 The funding for Unaccompanied Asylum Seeking Children and related activities is assumed to be the same as this year, given the Home Office's failure to engage with Croydon despite multiple representations.

3.6 The council tax referendum threshold remained the same at 3% in 2019/20. The police precept can be increased by £24 per annum. There was also no change to the Adult Social Care (ASC) precept principle of a maximum increase of 6% over 3 years to 2019/20. All Government's calculations assume that all local authorities increase council tax by the referendum threshold and precepts by the maximum allowed.

3.7 It was confirmed that London will be a pilot for 75% business rates retention in 2019/20. London was a pilot for 100% retention in 2018/19.

3.8 Consultations were published on the Fair Funding Review and 75% business rates retention with deadlines of the 21 February 2019 for responses. The outcomes of how the system for funding local government from April 2020 are still not expected until the autumn of 2019. These response will be added as late appendices to this report at Appendix K and L.

3.9 Croydon's response to the draft Local Finance Settlement for 2019/20 is included as Appendix F to this report.

3.10 The Council has a duty under the Local Government Finance Act 2003 to set a balanced budget before 11th March 2019. This report supports the enablement of that duty to be fulfilled, subject to agreement of the recommendations in this report by Full Council on the 4th March 2019.

3.11 It is recommended that there is a 2.99% increase in council tax for the Croydon element of the charge and a 1% increase based on the Adult Social Care Precept as set by the Chancellor. The GLA are proposing an 8.93% increase in their element of the charge and that is due to be agreed by the GLA on the 25th February 2019. The overall headline increase is 4.88%. The effect of this increase on Band D is set out in table 1 below.

<u>Table 1 – Local Taxation & GLA Taxation increase (Band D comparison)</u>

Band D	**2019/20** **£**	**Increase** **%**	**Annual Increase** **£**	**Weekly Increase** **£**
Croydon	1,297.33	2.99%	40.15	0.77
Adult Social Care Precept	98.98	1.00%	13.43	0.26
Greater London Authority	320.51	8.93%	26.28	0.51
	1,716.82	**4.88%**	**79.86**	**1.54**

4. Medium Term Financial Strategy (MTFS)

4.1 Scrutiny and Overview Committee reviewed the proposed approach to the MTFS in July 2018. The MTFS was approved by Council in October 2018. The MTFS pulls together in one place all the financial implications of the Council's strategic priorities to produce a costed plan to enable long term financial planning and enable financial sustainability.

4.2 It is designed to aid strategic planning and is particularly important during this time of funding uncertainty. The current four year spending review ends in 2019/20 and the ongoing Fairer Funding Consultation means that the level of government funding for 2020/21 and beyond is unknown and therefore makes planning in the later years of the strategy more difficult.

4.3 While the MTFS outlines all the key Council financial priorities for the next four years (2018/22). It does make assumptions in some areas due to uncertainty and therefore regular reviews and updates of the Strategy are fundamental to maintain a strong financial grip.

4.4 The MTFS outlined a gap between income and expenditure over the period 2019/22 referred to as the budget gap. Table 2 below outlines the gap at the stage the MTFS was signed off.

Table 2 – Budget gap as per the MTFS

	2019/20 £m's	2020/21 £m's	2021/22 £m's	Total £m's
Budget Gap	**5.8**	**12.5**	**7.7**	**26.0**

4.5 It is assumed that capital receipts will continue to be allocated where appropriate to fund transformation programmes and projects that support the assumptions made in the MTFS, this includes the transformational activities in the Children's Service Improvement Plan.

4.6 This report presented to Cabinet contains details of a balanced budget with the gap in the MTFS for 2019/20 in table 2 now closed.

5. Corporate Assumptions - 2019/20 budget

Council tax

5.1 Council tax income made up **£167.4m** of the 2018/19 budget, over 60% of the net income and is therefore a very significant element of the council's budget. The draft budget for 2019/20 assumes that council tax is increased by **3.99%.** This increase comprises of 2.99% Croydon Council Tax and the additional 1% relates to the last percent of the 6% ASC precept allowed. The overall increase in council tax generates an additional **£6.9m**.

5.2 In 2018/19 Croydon increased its Social Care Precept by 2% and the recommendation for 2019/20 is to increase it by the balance of 1%.

5.3 Also as a result of increases in the number of households liable for council tax and improved collection, a further **£5.7m** is expected in council tax from council tax base improvements.

5.4 Council tax income for 2019/20 after allowing for both increases referred to above would equate to **£180.0m.**

Grant loss

5.5 As set out in section 2 of the draft settlement. There has been a number of changes in grant income that have to be taken into account in the 2019/20 budget. The core funding has reduced by £7.8m. The overall change is a net loss of **£1.8m**, plus an additional **£0.6m** loss in public health grant.

Inflation

5.6 The budget for 2019/20 takes account of changes in the cost of living inflation. A pay award of at least 2% for all staff has been agreed as part of national pay negotiations, with lower paid staff receiving a greater increase.

5.7 Additionally a number of the council's contracts are subject to indexation each year. Overall **£5.8m** has been set aside for inflation.

Capital Programme and borrowing

5.8 The council's capital programme assumes the taking out of new borrowing to fund projects that require debt. The assumption overall is that there will be borrowing of circa £50m in 2019/20 and an additional amount of **£2m** has been added to the revenue budget to fund the associated interest payments. This excludes borrowing for specific programmes where the borrowing is repaid to the Council, examples of these programmes are: Growth Zone, the asset acquisition fund and the revolving investment fund.

Pension Contribution

5.9 The Pension Fund is valued on a tri-annual basis to determine the employer contribution required by the council to fund future pensions. The valuation undertaken in March 2016 assumed that in the final year of that valuation there would be a 1% increase in contribution for the council which means a **£1.4m** increase in 2019/20.

6. Local Government Finance Settlement 2019/20 – Croydon

6.1 The published Core Spending Power figures for Croydon are shown in the table below. The funding per head reduces in real terms from £688 per person in 2016 to £641 in 2020. This is a reduction of 7% or £47 per head.

6.2 If funding was held at the same rate per head in real terms over the period Croydon would an extra £31.6m in 2019/20.

Table 3 Croydon's Funding Allocations 2016/17 to 2019/20

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Settlement Funding Assessment	114.6	101.7	94.5	86.8
Under-indexing the business rates multiplier	1	1	1.6	2.4
Council Tax	143.5	155.1	167.4	179.4
Improved Better Care Fund	-	5.5	7.1	8.3
New Homes Bonus	11.8	8.5	6.3	6.7
New Homes Bonus returned funding	0.2	0.2	-	-
Rural Services Delivery Grant	-	-	-	-
Transition Grant	0.4	0.4	-	-
The Adult Social Care Support Grant	-	1.4	0.9	-
Winter pressures Grant	-	-	1.4	1.4
Social Care Support Grant	-	-	-	2.4
Core Spending Power	271.4	273.8	279.1	287.3
Population	386,700	390,100	393,600	397,000
Core Spending Power Per Head	£702	£702	£709	£724
Core spending power real terms	**£266**	**£258**	**£254**	**£254**
Core spending power per head - real terms	**£688**	**£662**	**£647**	**£641**

6.3 Table 3 above shows an increase in funding for Croydon over the period of £15.9m in cash terms or 5.8% (a real terms decline). However, it is important to note that this includes assumptions by the Ministry of Housing Communities and Local Government (MHCLG), including forecast increased council tax revenues over the period of £36m. Excluding Council Tax revenues sees a cash reduction in funding over the period of £20m or 18%. Further details of each funding stream included within Croydon's Core Spending Power and the extent to which the MHCLG's figures are relevant to Croydon is discussed below.

New Homes Bonus

6.4 The 2017/18 settlement included a number of planned changes to the New Homes Bonus scheme which will see authorities seeing a reduction in New Homes Bonus allocations.

6.5 For Croydon, this means a significant reduction in grant income. The amount received through the scheme in 2016/17 was £11.8m. The 2019/20 allocation is £6.7m, a reduction of £5.1m.

Improved Better Care Fund

6.6 The additional funding announced at the March 2017 Budget has seen an increase to Croydon's allocation over the period 2017/18 to 2019/20. For 2019/20, the allocation increased from £7.1m to £8.3m.

London Pilot

6.7 The continued pan-London Business Rates Pilot should provide a further opportunity for all London authorities to gain from the business rates growth across the region. Pilot status will remove the levy on growth paid by high tax base authorities and allow a greater proportion of any local growth to be retained. As in 2018/19, the gains from the pilot are dependent on the business rates collected across all of the boroughs, it is therefore difficult to predict the outcome for Croydon at this stage. Once 2019/20 NNDR1 forms have been completed and collated, a forecast level of gain for each of the boroughs should be possible. However, this will only be a forecast and the final amount will not be known until the actual business rates collected in 2019/20 is determined.

Business Rates Retention Changes

6.8 The move to 100% business rates retention was intended to be revenue neutral for local authorities (at the outset), with increased business rates revenues equalling lost revenue grants. Therefore, the intention to move to 75% business rates retention in 2020/21 (instead of the original plan to move to 100% business rates by 2020) does not have an adverse impact on Croydon’s resources projection at this stage.

6.9 The planned Reset of the business rates retention scheme in 2020/21 could be to the benefit of Croydon through:

(I) A reduced business rates baseline for Croydon, therefore allowing it to retain higher amounts of business rates income and / or
(ii) An increase to Baseline Need, as existing national business rates growth is fed back into the system across all authorities.

6.10 However, there are some indications from the Relative Needs consultation of elements that could result in Croydon losing, notably relating to use of geographical size as a factor, which could penalise urban areas. There are a number of variables that will ultimately determine if (and to what extent) Croydon will gain from the Reset. However, given there is the potential even for Croydon to lose, the MTFS assumes a 2.5% reduction in government funding.

Settlement Funding Assessment per head across London

6.11 Table 4 below shows the Settlement Funding Assessment per head for each London Borough (excluding the City of London) and shows Croydon ranked as 20th, receiving £219 per head in 2019/20, and an average of £254 per head over the four year period compared to the London average of £333 over the same four year period. Neighbouring Lambeth will receive £425 per head in 2019/20. If Croydon were funded at the London average of £333 per head for 2019/20 we would receive an additional £31m.

6.12 Croydon's ranking has improved compared to 2018/19 where Croydon was ranked at 21st.

Table 4 – Settlement Funding Assessment per Head

	SFA (£ PER RESIDENT)					
	2016-17	**2017-18**	**2018-19**	**2019-20**	**Average over the 4 years**	**Rank in 2019/20**
London	**380**	**341**	**318**	**294**	**333**	
Hackney	615	562	530	496	**551**	1
Westminster	573	526	498	469	**517**	2
Southwark	568	519	491	460	**510**	3
Islington	555	503	472	440	**493**	4
Tower Hamlets	553	501	469	436	**490**	5
Camden	545	489	457	423	**479**	6
Lambeth	526	480	454	425	**471**	7
Hammersmith and Fulham	523	480	456	428	**472**	8
Kensington and Chelsea	510	458	429	396	**448**	9
Newham	493	452	427	401	**443**	10
Lewisham	484	440	413	385	**431**	11
Haringey	458	415	389	361	**406**	12
Greenwich	457	415	390	363	**406**	13
Barking and Dagenham	422	383	359	334	**375**	14
Brent	417	379	357	333	**372**	15
Waltham Forest	393	354	332	308	**347**	16
Wandsworth	354	325	308	290	**319**	17
Ealing	344	309	289	267	**302**	18
Enfield	341	305	283	261	**298**	19
Croydon	**296**	**261**	**240**	**219**	**254**	**20**
Hounslow	282	249	230	210	**243**	21
Sutton	285	247	225	202	**240**	22
Redbridge	269	237	218	199	**231**	23
Merton	267	232	212	191	**226**	24
Hillingdon	239	206	187	168	**200**	25
Harrow	233	199	180	160	**193**	26
Barnet	232	198	179	158	**192**	27
Bexley	224	192	173	154	**186**	28
Havering	205	172	153	133	**166**	29
Kingston upon Thames	182	146	126	119	**143**	30
Bromley	171	140	122	111	**136**	31
Richmond upon Thames	168	124	108	110	**128**	32

6.13 Alongside the response to the Fair Funding Review Croydon continues to lobby the Government for fair funding in Croydon in relation to two specific service areas. These are No Recourse to Public Funds (NRPF) and Unaccompanied Asylum Seeking Children (UASC) funding.

6.14 Funding for UASC and Immigration remains a risk, and we are continuing to make a concerted drive for fairer funding for Croydon. The Leader of the Council and the Cabinet Member for Finance and

Resources met with the Immigration Minster on the 16th November 2017 and follow up discussions have been taking place between council officers and the Home Office to ask for a re instatement of our Gateway funding which would increase our funding by £2m, disappointingly these are still ongoing. We have also highlighted a number of other areas where prioritisation by the Home Office could result in a saving to Croydon, including prioritising unresolved appeals for families with no recourse to public funds and a co-ordinated approach to enforcement action with individuals where appeal rights are exhausted. Until the agreement is reached to fund these services these remain a financial risk to Croydon.

6.15 The UASC increased cost is as a result of the Home Office continuing to only fund a fixed rate per child. While our numbers of UASC are decreasing, direct and indirect service provision costs are not decreasing at the same rate. Options to reduce this funding gap through the reduction of costs and maximising Home Office income continue to be explored. In terms of UASC and NRPF for former UASC, the Council is facing an estimated £7m annual shortfall.

6.16 The NRPF pressure remains due to the impact of the failure of Central Government to implement the provisions of the Immigration Act.

7. Flexible Homelessness Support Grant (FHSG)

7.1 Croydon was allocated Flexible Homelessness Support Grant (FHSG) which replaced the Department of Work and Pensions temporary accommodation management fee, over 3 years from 1 April 2017 to meet the cost of administration for the prevention of homelessness. This funding increased to £5.4m in 2019/20 from £4.3m, an increase of £1.1m. This is effectively the partial funding of a new burden, resulting from homelessness legislation and the impact of welfare reform.

8. Department Assumptions 2019/20 budget

8.1 Alongside the corporate assumptions that underpin the 2019/20 budget, work has been ongoing to ensure that departmental and service estimates are accurate. This is the key element of the budget where movement in resources between services can be identified. This reflects growth and savings. Appendix A sets out the detailed list of growth and savings options across the five departments of the council. Table 5 below shows these at a departmental level.

Table 5 – Growth and Savings by department

Department	Options 2019/20		
	Savings	Growth	Net
	£m's	£m's	£m's
Children, Families and Education	**1.0**	**12.0**	**11.0**
Health, Wellbeing and Adults	**8.4**	**10.2**	**1.8**
Gateway, Strategy and Engagement	**2.5**	**3.3**	**0.8**
Place	**8.0**	**3.3**	**(4.7)**
Resources	**8.0**	**0.0**	**(8.0)**
Total	**27.9**	**28.8**	**0.9**

8.2 The table above shows a clear continued shift of resources into Children, Families and Education. Key areas of growth are set out below.

Children, Families and Education

8.3 The projected department overspend in 2018/19 is **£9.131m,** excluding the exceptional items detailed in paragraph 8.4 below. The main areas of overspend continue to derive from demand led services; Children's Social Care placements and staffing. These pressures are a continuation of pressures experienced in previous years, although additional investment was made in 2018/19. A further **£12m** of growth is provided for in the 2019/20 budget.

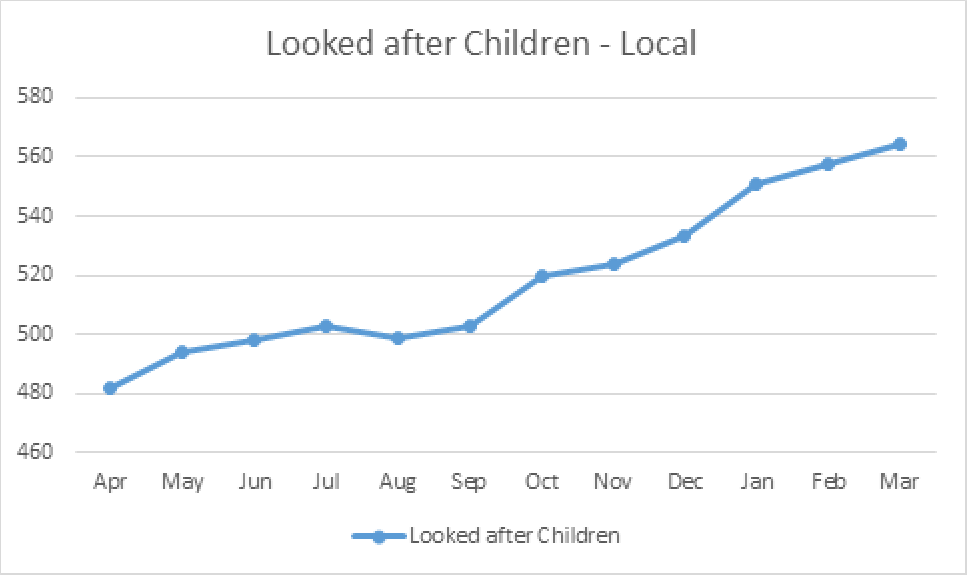
8.4 The exceptional items as reported to Cabinet in the quarter 3 financial monitoring report relate to Unaccompanied Asylum Seeking Children (UASC), No Recourse to Public Funds (NRPF) and Appeal Rights Exhausted (ARE), which we are continuing to lobby the government to fund. The UASC increased cost is as a result of the Home Office continuing to only fund a fixed rate per child. While our numbers of UASC are decreasing, direct and indirect service provision costs are not decreasing at the same rate. Options to reduce this funding gap through the reduction of costs and maximising Home Office income continue to be explored.

8.5 The total 2018/19 forecast cost of UASC for the Council is **£6.7m** and includes Children's Social Care costs, along with costs associated with education and health for these young people.

8.6 The NRPF pressure remains due to the impact of the failure of Central Government to implement the provisions of the Immigration Act. In addition to these exceptional items Croydon also funds in excess of £5m of other costs relating to NRPF across Adults, Children's and Gateway services from our own resources.

8.7 The numbers of looked after children have continued to increase in 2018/19 and have been rising significantly. With 551 local children being looked after in January 2019. The graph below shows the actual data until January and estimated figures for February and March. It is hoped that the increase will not be as great as shown in February and March as the impact of new commissioning arrangements are embedded.

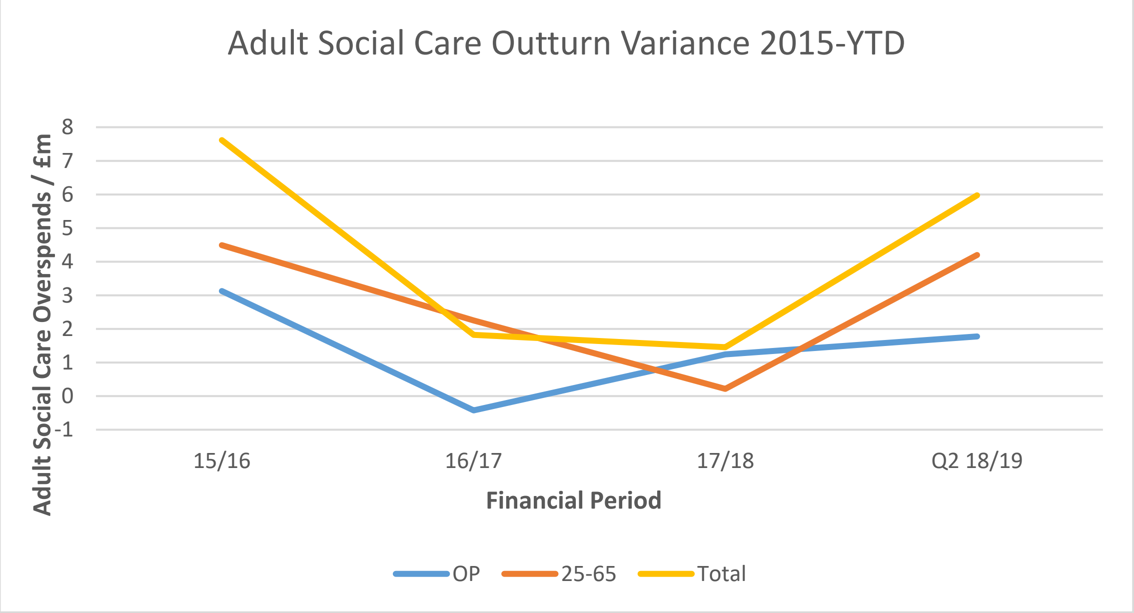
Graph 2: Looked after children case numbers compared to budget



Health, Wellbeing and Adults

8.8 Adult Social Care has continued to see increases in demand for services above budget and is projecting a net overspend of £2.099m in 2018/19. However there are areas of significant overspend such as the 25-65 disability service with an overspend of just over £4m. This is as a result of rising demand and increased complexity of cases, especially within the 25 to 65 year old service. In the last six months there has been a 3.4% increase in the number of care packages (total 17% increase since April 2018). Graph 3 below shows the overspend for the Older People and 25-65 service. Provision of over £10m has been made in the 2019/20 budget for growth across the department.

Graph 3: Adult Placement overspend for Older People service and the 25 to 65 service.



Gateway Services

8.9 Gateway services continue to focus on managing demand for homelessness services and helping residents with prevention measures. Additional funding of £3.3m has been allocated to this service to ensure the service can continue to support the most vulnerable residents, with savings from managing demand and need early expected in adult social care services, children's social care services and housing.

Savings

8.10 The full list of savings included in the 2019/20 budget are set out in Appendix A. The key areas are set out below:

- Additional parking income – this reflects the additional level of activity seen in 2018/19 from parking income.
- Asset investment strategy – the net income achieved is based on the two purchases made in 2018/19.
- One Croydon Alliance – Savings from integration work with partners.
- Gateway link – savings achieved across social care from joined up work with families in gateway.
- Improved recycling – savings in landfill costs from improvements in our recycling rate.
- Adult social care charging – changes to charging policy in social care.

8.11 Adult Social Care Charging Policy - Between 17th December 2018 and 25th January 2019 Croydon Council consulted on a revised charging policy to come into force from 1st April 2019. The policy proposed amendments to 5 areas of the existing policy. These were:

- Amending the point of which services become chargeable to charge from the start of service
- Changing the treatment of some income to include taking into consideration the full amount of higher Disability Living Allowance (DLA).
- Introduce proportionate financial assessments to enable a faster response to those with more complex financial arrangements
- Introduction of administration charges to those self-funders who want the Council to arrange their care arrangements
- To remove the subsidy to meals on wheels and advise on alternative provision.

8.12 124 Responses were received in writing, 44 calls to the charging helpline and meetings with carers and direct payments service user group. All current users of services affected by the changes were written to asking for their views on the changes. Over 58% of respondents either strongly agreed or agreed to the proposals.

8.13 Income raised from these changes will be allocated directly back into the budget for adult social care services.

8.14 A full response to the consultation will be written up and uploaded to the 'Get Involved' section of the Council's web site. Further details are also contained in appendix J to this report.

8.15 It is recommended that all the options consulted on come into force from 1st April 2019.

9. Local Taxation / Collection Fund

Local Taxation Charge for 2019/20

9.1 The council tax change for the Croydon element of the charge for 2019/20 is recommended to be **3.99%** in accordance with Appendix E of the report.

9.2 This decision includes a 1.0% increase for the Government's' adult social care precept that was approved as part of the Local Government Finance Settlement. This is contained in Appendix D, with the Band D effect shown in table 6 below.

Table 6 – Local Taxation for 2019/20

	2019/20 £	**Increase £**
Croydon Band D per year	1,297.33	40.15
Adult Social Care precept per year	98.98	13.43
Band D per year	**1,396.31**	**53.58**

9.3 Table 7 gives details of both the increases to the Croydon element of the council tax and the Adult Social Care precept over the last 3 years and the increase being recommended for 2019/20.

Table 7 – Croydon Council percentage increase since 2016/17

	2016/17	**2017/18**	**2018/19**	**2019/20**
Croydon Council Percentage change	1.99%	1.99%	2.99%	2.99%
Adult Social Care Precept	0%	3%	2%	1%

9.4 Alongside grant income, local taxation is the other major income stream that impacts on the budget setting of the council. The Collection Fund accounts for taxation from Council Tax and Business rates. Further detail can be found in appendix C.

9.5 **Council Tax base**: The number of domestic properties in the borough from which Council Tax can be collected is described as the Council tax base, and the number is converted into Band D equivalent units. An increase in council tax base will enable a higher level of general fund budget to be supported. The calculation of the Council Tax base is set out in Table 8 below:

9.6 It is anticipated that there will be an increases in the Council tax base of 3.4% compared to the 2018-19 base, which will enable a further £12.7m of expenditure to be supported in the 2019-20 general fund budget as shown in table 8 below. The Council tax base is adjusted for anticipated collection rates, which are proposed to increase by 0.25% to 97.50% for 2019-20.

Table 8 - Increase in Council Tax Base

	2019/20	2018/19	Change
Number of Dwellings	159,898	155,918	3,980
Less: Exempt dwellings	-34,336	-34,483	147
Sub-total - dwellings	125,562	121,435	4,127
Conversion of dwellings into Band D equivalent units	132,237	128,165	4,072
Less: anticipated losses on collection	-2.50% -3,306	-2.75% -3,525	219
Council Tax Base	128,931	124,640	4,291
Band D charge (Croydon)	£1,396.30	£1,342.73	£53.57
Council Tax Funding (Croydon)	£180,065k	£167,359k	£12,706k

Projected Collection Fund Surplus

9.7 It is anticipated that a surplus of £6.560m will be available for release into the 2019/20 general fund budget. This figure is now a combination of a forecast surplus position for both Council Tax and Business Rates, as set out below. £2.5m of this surplus has not been included in the budget projections and is being held to offset the current projected overspend for 2018/19.

9.8 Council Tax - Croydon’s share of the anticipated council tax surplus available in 2019/20 is £4.060m. There has been a council tax surplus in the last 5 years as a result of tax base growth and improved collection rates.

9.9 Business rate localisation in 2013/14 resulted in the Council retaining a share of business rates, which is 64% in 2018/19. A surplus of £2.500m is projected to be available to the Council in 2019/20. This is a result of appeals against rateable value being less than previously anticipated, allowing the provision held to be released into the Collection Fund, as well as improved collection of rates.

9.10 Any difference between the projected surplus and final surplus for 2019/20 will be carried forward within the collection fund, for consideration in 2020/21's general fund budget.

9.11 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 received royal assent on 1st November 2018, It made provisions to increase the percentage by which a billing authority may increase the Council Tax payable in respect of a long-term empty dwelling from 1st April 2019. A long-term empty dwelling, is a dwelling that is unoccupied and substantially unfurnished. Thereafter from April 2020 and April 2021, additional premiums can be applied to properties that are left empty for 5 years and 10 years respectively. Details regarding these changes and the potential additional revenue streams from this can be found in Appendix I and are also summarised below:

- 1st April 2019 premium on empty dwellings can increase from 50 to 100%
- 1st April 2020 - a Council has the power to increase the 100% premium to 200% from 1st April 2020 where a dwelling has been long term empty for more than 5 years. If a dwelling is long term empty for 5 years or less the premium will remain 100%.
- 1st April 2021- a Council has the power to increase the 200% premium mentioned above to 300%, if a dwelling has been long term empty for over 10 years. The premium will remain 200% if the dwelling has been long term empty for more than 5 years and up to 10 years. If the long term empty dwelling has been empty for less than 5 years, the premium remains at 100%.

10. Greater London Authority Precept 2019/20

10.1 On 20th December 2018, the Mayor of London announced his proposal to increase his share of council tax by an average of 50p a week – the maximum amount allowed by the Government. In total, the Mayor proposes to commit an additional £95m in 2019/20 to policing and tackling crime. This money will be raised from council tax and business rates.

10.2 Keeping Londoners safe is the Mayor's top priority. The Government has already forced the Met to make £850m of cuts and despite the police funding settlement, there remains a huge funding gap. The Mayor's proposal would see his share of council tax increase overall by 9% £26.28

a year in cash terms for an average Band D council tax payer.

10.3 It means the Mayor and other Police and Crime Commissioners across the country can now increase Band D Policing Precepts by a maximum of £24 a year before having to hold a council tax referendum.

10.4 In order to give the Metropolitan Police the resources it requires, the Mayor is proposing to increase his share of council tax that goes directly to the police by the maximum amount that does not require a referendum. This is the equivalent of 46p a week – an 11% increase in the policing precept.

10.5 This will generate an additional £84.8m to invest in the Metropolitan Police, which will be split between a numbers of crime fighting measures. This includes funding new officers, specialist investigators to disrupt gang violence and cutting-edge equipment for officers on the frontline, such as digital fingerprinting, rapid drug testing, and technology to help with digital investigations, and advanced techniques to combat child sexual exploitation online. This will allow the Violent Crime Taskforce to be even more effective and visible on the streets and help tackle the crimes that impact most on the safety of Londoners.

10.6 The Mayor also intends to direct £6.8m from council tax and business rates to invest in a new Violence Reduction Unit. The Mayor announced the Violence Reduction Unit in September to expand his work on a public health approach to tackling all forms of violence. Using data to form a strong evidence base, the unit will use this money to identify where and how to make early interventions in a young person's life as part of a long-term strategy to prevent the spread of violence.

10.7 The new investments – which is on top of an initial £0.5m the Mayor invested towards initial set-up costs, will be directed towards local services and programmes to provide greater capacity to deliver early interventions to help prevent the spread of violence, and supporting projects that will help tackle the complex root causes.

10.8 A further £3.5m will be spent on other anti-violence initiatives, for example making permanent the successful 'Information Sharing to Tackle Violence' pilot that develops more effective data sharing between Community Safety Partnerships, health services and other violence reduction partners. It uses a new approach to collect data and analyse data from hospital emergency departments to help develop strategies to tackling violence.

10.9 The Mayor also intends to increase his non policing precept by 2.99%, again the maximum permitted by the Government. This is the equivalent of £2.28 a year of just over 4p a week. The proceeds of this modest increase will be allocated directly to the London Fire Brigade.

10.10 Overall, this means that the Mayor's overall precept for an average Band D taxpayer will increase from £294.23 to £320.51.

10.11 The draft 2019/2020 budget covers the entire Greater London Authority Group, including Transport for London, the London Legacy Development Corporation, Old Oak and Park Royal Development Corporation, the Metropolitan Police service and the London Fire Brigade.

10.12 As reflected in TfL's Business Plan earlier this month, the draft budget also takes into account the delay to the opening of Crossrail and the need to find additional funding to complete the project. Its plans include:

- Pushing ahead with the Mayors ambitious plans to make London a cleaner, safer, healthier city through investment to improve London's streets and
- create better and more accessible public transport – at the same time as continuing to freeze public transport fares;
- The introduction of the Ultra-Low Emission Zone in central London in April 2019 and a new diesel scrappage scheme supporting micro businesses to tackle air pollution;
- Continuing to tackle London's housing crisis by supporting thousands of new homes for social rent as part of City Hall's commitment to start at least 116,000 new genuinely affordable homes by 2022;
- Maintaining funding to the London Fire Brigade in the aftermath of the terrible Grenfell Tower fire to ensure fire engines arrive at emergency incidents within targets;
- Creating East Bank, an arts, cultural and educational district on the Queen Elizabeth Olympic Park site; and
- Unlocking the first 10,000 homes and more than 5,500 jobs over the next 15 years at Old Oak Common

10.13 The Mayors consolidated budget is set out in table 9 below and the budget will be agreed on 25th February 2019.

Table 9 – Mayors Consolidated Budget

Component Council Tax Requirements	**Approved 2018/19 £m**	**Proposed 2019/20 £m**	**Plan 2020/21 £m**	**Plan 2021/22 £m**	**Plan 2022/23 £m**
GLA (Mayor)	67.7	67.7	69.1	70.4	71.9
GLA (Assembly)	2.6	2.6	2.6	2.7	2.7
MOPAC	641.4	726.2	755.5	786	817.8
London Fire Commissioner	148	159.3	167.4	175.9	184.7
Transport for London	6	6	6	6	6
Consolidated Council Tax Requirement	**865.7**	**961.8**	**1,000.6**	**1,041.0**	**1,083.1**
Total Band D council Tax Payable in :					
32 London Boroughs	£294.23	£320.51	£326.92	£333.45	£340.11

10.14 This overall resultant council tax increase is set out in table 10 below.

Table 10– Local Taxation increase and the GLA Tax increase

Band D	**2019/20** **£**	**Increase** **%**	**Annual Increase** **£**	**Weekly Increase** **£**
Croydon	1,297.33	2.99%	40.15	0.77
Adult Social Care Precept	98.98	1.00%	13.43	0.26
Greater London Authority	320.51	8.93%	26.28	0.51
	1,716.82	**4.88%**	**79.86**	**1.54**

10.15 The overall increase on the total bill for the residents of Croydon is 4.88**%.**

11. External Financial Environment

Spending Review 2015 and settlement 2019/20

11.1 The Chancellor of the Exchequer published the government's Spending Review 2015 on 25 November 2015, setting out public expenditure plans for 2016/17 to 2019/20. This was the first four year settlement and was designed to give authorities more certainty on their funding levels and the ability to undertake longer term financial planning.

11.2 The key announcements made at the Provisional Finance Settlement on December 2018 and confirmed in the final settlement published in February 2019 are listed in section 13 later in the report.

12. Economic Projections – Autumn Budget 2018

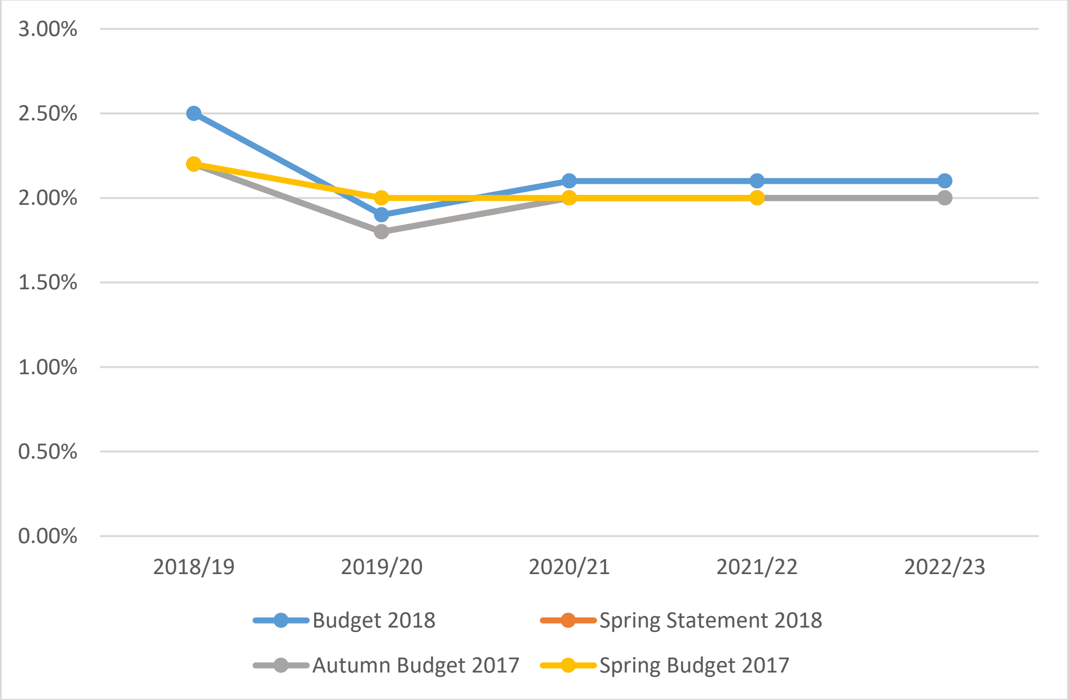
12.1 The Office of Budget Responsibility (OBR) updated its economic projections for the 2018 Autumn Budget. The projections for inflation (CPI & RPI), council tax receipts and business rates income are set out below. Inflation – CPI.

12.2 Table 11 shows the Budget 2018 CPI inflation forecasts against those published in previous announcements. The table shows an increase in the rate forecast for 2018/19 of 0.3% and a 0.1% increase in the rate forecast for each year between 2019/20 to 2022/23.

Table 11 CPI Inflation Forecasts

	2018/19	2019/20	2020/21	2021/22	2022/23
Budget 2018	2.50%	1.90%	2.10%	2.10%	2.10%
Spring Statement 2018	2.20%	1.80%	2.00%	2.00%	2.00%
Autumn Budget 2017	2.20%	1.80%	2.00%	2.00%	2.00%
Spring Budget 2017	2.20%	2.00%	2.00%	2.00%	

Graph 4 CPI Inflation Forecasts



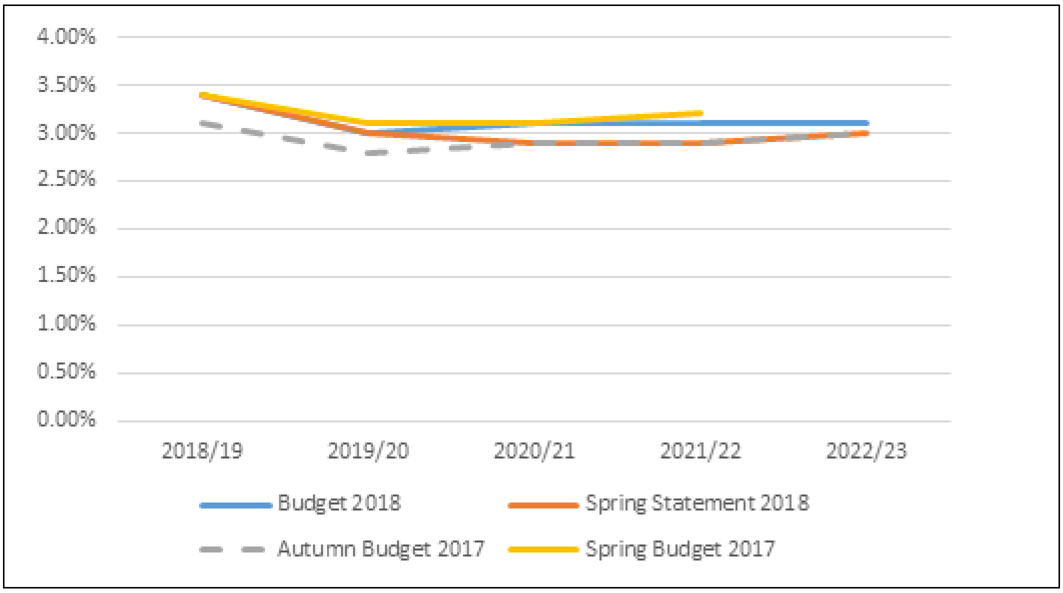
Inflation – RPI

12.3 Table 12 shows the Budget 2018 RPI inflation forecasts against those published in previous announcements. The table shows only small changes in the forecast for RPI over the period, with increases of 0.2% in the forecast for 2020/21 and 2021/22 and 0.1% in 2022/23.

Table 12 RPI Inflation Forecasts

	2018/19	2019/20	2020/21	2021/22	2022/23
Budget 2018	3.40%	3.00%	3.10%	3.10%	3.10%
Spring Statement 2018	3.40%	3.00%	2.90%	2.90%	3.00%
Autumn Budget 2017	3.10%	2.80%	2.90%	2.90%	3.00%
Spring Budget 2017	3.40%	3.10%	3.10%	3.20%	

Graph 5 RPI Inflation Forecasts



13. Local Government Finance Settlement 2019/20 – Nationally

13.1 The Provisional Local Government Finance Settlement was published on 13 December 2018. The settlement provided allocations for 2019/20 only.

13.2 The main announcements were:

- **Council Tax** – The council tax referendum limit will be 3% for local authorities (as in 2018/19), with the only change from 2018/19 being that the Police precept will be allowed to increase by £24 per annum (it was £12 per annum in 2018/19).

- **New Homes Bonus** - The 2019/20 allocations have been announced (previously these figures were only indicative – based on previous years' allocations). Due to an additional £10m of funding being added, it has not been necessary to make changes to the deadweight threshold (at 0.4%) or the eligibility of properties to qualify for the funding.

- **Business Rates Pilots** - In July 2018, the government invited authorities to bid for pilot status in 2018/19. Following a competitive process, 15 areas have been successful with their applications (alongside the London Pilot).

- **Top Up/Tariff Adjustments (Negative Revenue Support Grant - RSG)** – As expected, the government has decided to provide an additional £153m in funding to those authorities that were due to pay negative RSG for 2019/20.

- **£180m additional funding** – There has been an additional £180m announced (to be paid in 2018/19). This has been provisionally allocated via the 2013/14 Settlement Funding Amount allocations. It has been funded from the surplus on the Business Rates Retention levy/safety net account. MHCLG have confirmed this funding is not shown in the Core Spending Power figures.

- **Social Care Funding (£650m)** - Announced at Budget 2018, the government has now indicated how this funding will be allocated. This comprises of the Winter Pressures Grant of £240m of additional funding in 2019/20 for councils to spend on adult social care services to alleviate winter pressures on the NHS. This Winter Pressures Grant funding will be allocated in 2019/20 using the existing Adult Social Care Relative Needs Formula. This funding is ring-fenced and will be pooled into the Better Care Fund. The other element is the Social Care Support Grant. £410m in 2019/20 for use for adult and children's social services. The government believes there is not a single bespoke needs formula that can be used to model relative needs for both adult and children's social care fund therefore the existing Adult Social Care Relative Needs Formula will also be used to distribute this Social Care Support Grant funding. This grant will not be ring-fenced, and conditions or reporting requirements will not be attached, nor there should any prescription of how much of it be spent on adult social care or children's social care.

13.3 In addition to the announcements affecting 2019/20:

- **Fair Funding Review -** The government has published the consultation paper *"A review of local authorities' relative needs and resources - Technical consultation on the assessment of local authorities' relative needs, relative resources and transitional arrangements"*

- **Business Rates Retention** – The government has published the consultation paper *"Business Rates Retention Reform - Sharing risk and reward, managing volatility and setting up the reformed system",* a consultation on the proposed 2020/21 Redesign and Reset of the Business Rates Retention (BRR) scheme.

- The deadline for responses is 21st February 2019 and Croydon will be submitting a response to these papers

Overall Funding: Core Spending Power

13.4 The updated National Core Spending Power figures for the period 2016/17 to 2019/20 are shown in Table 13 below. It shows an increase of 2.8% for 2019/20 and an overall increase for the period 2016/17 to 2019/20 of 5.9%.

Table 13 Core Spending Power figures for England 2016/17 to 2019/20

	2016-17 £m	**2017-18 £m**	**2018-19 £m**	**2019-20 £m**
Settlement Funding Assessment	18,602	16,633	15,574	14,560
Under-indexing business rates multiplier	165	175	275	400
Council Tax	23,247	24,666	26,332	27,927
Improved Better Care Fund	0	1,115	1,499	1,837
New Homes Bonus	1,485	1,252	947	918
Rural Services Delivery Grant	81	65	81	81
Transition Grant	150	150	0	0
Adult Social Care Support Grant	0	241	150	0
Winter pressures Grant	0	0	240	240
Social Care Support Grant	0	0	0	410
Core Spending Power	43,730	44,296	45,098	46,373
Change %		1.29%	1.81%	2.83%
Cumulative change %			3.10%	5.93%
Real Terms Change %			2.13%	3.25%
Real Terms cumulative Change %			2.69%	5.94%

13.5 Table 14 below shows the change in figures from those published at the 2019/20 final settlement.

Table 14 Change in 2019/20 Core Spending Power figures for England between 2018/19 Final Settlement and the 2019/20 Provisional Settlement

	2019-20
	£m
Settlement Funding Assessment	162
Under-indexing business rates multiplier	25
Council Tax	-120
New Homes Bonus	18
Rural Services Delivery Grant	16
Winter pressures Grant	240
Social Care Support Grant	410
Core Spending Power	**751**

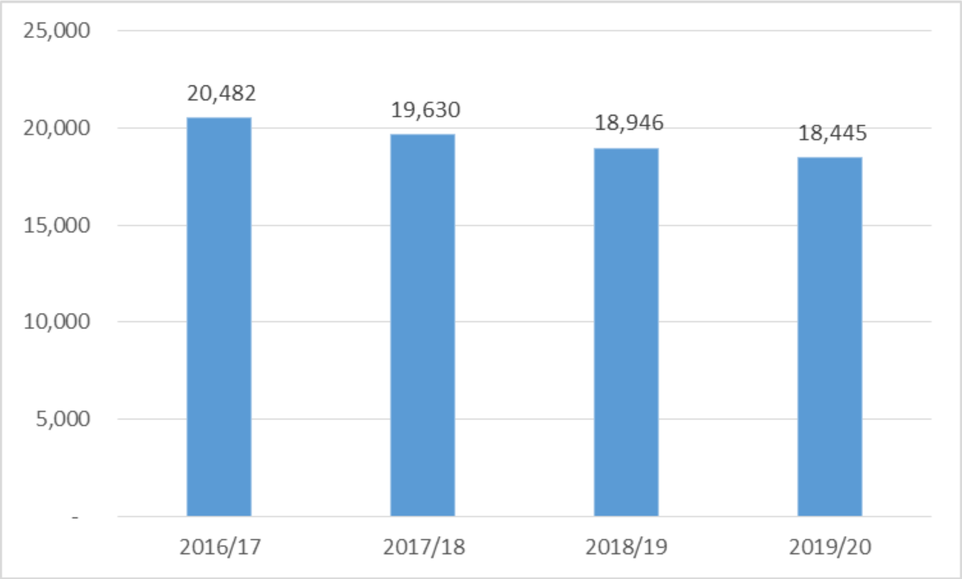
13.6 Table 14 shows:

- An increase to the Settlement Funding Assessment of £162m – representing the removal of negative RSG (£153m) and an increase to the inflation adjustment to the business rates multiplier (£9m);
- A decrease to the Council Tax amounts of £120m – Due to a combination of lower forecasts for tax base growth and lower actual increases in tax rate for 2018/19; and
- The additional £650m of social care funding, a £16m increase in Rural Services Delivery Grant and the £18m for New Homes Bonus.

Core Spending Power: Excluding Council Tax

13.7 The graph below shows the level of central government funding to local government between 2016/17 and 2019/20 excluding Council Tax. It shows a reduction of £2bn from £20.4bn to £18.4bn, a reduction of 11%.

Graph 6 – Local Government Funding 2016/17 to 2019/20



Social Care Precept

13.8 The introduction of a social care precept was originally announced at Spending Review 2015. In the 2016/17 local government finance settlement, the government confirmed that there would be a 2% social care precept and that this would be available for four years up to 2019/20.

13.9 The provisional and then final 2017/18 local government finance settlement amended the use of this additional precept. It announced that it could be applied at 3% per annum for the two years, up to 2018/19, but maintains a maximum additional precept of 6% for the period 2017/18 to 2019/20. Therefore, if an authority chose to use the higher 3% threshold in each of 2017/18 and 2018/19, then it would not be able to have an additional precept in 2019/20.

13.10 The government has confirmed that the amended rules for the adult social care precept established in 2017/18, and applied in 2018/19, will continue to apply for 2019/20.

Council Tax

13.11 For 2019/20, there will continue to be differential limits that will trigger the need for a council tax referendum.

13.12 For upper tier authorities wishing to use the social care precept at the maximum, a referendum will be triggered where council tax is increased by 3% (plus the planned Social Care Precept) or more above the authority's relevant basic amount of council tax for 2018/19.

13.13 Police and Crime Commissioners will be allowed increases of less than 3% or up to and including £24, whichever is higher.

13.14 For the Greater London Authority, a referendum will be triggered where council tax is increased by 3% or more above the authority's relevant basic amount of council tax for 2018/19.

New Homes Bonus

13.15 The New Homes Bonus allocations for 2019/20 have been announced. The Core Spending Power figures for 2019/20 include these allocations.

13.16 The technical consultation on the 2019/20 Local Government Finance Settlement, published in September 2018, suggested there would be an increase to the deadweight for the 2019/20 "in-year" allocations. However, through an additional £18m added to the funding of the scheme, no increase to the deadweight has been necessary.

13.17 Table 15 below shows that the "in-year" allocation for 2019/20 of £222m; this reduces the overall cost of the scheme to £918m, compared to £947m in 2018/19.

Table 15 National New Homes Bonus Allocations (£m)

	2016/17	2017/18	2018/19	2019/20
Prior Years	1,167	735	250	
2016/17	295	295	295	295
2017/18		197	197	197
2018/19			204	204
2019/20				222
Total	**1,462**	**1,227**	**947**	**918**

Additional Social Care Funding - £650m in 2019/20

13.18 At Autumn Budget 2018, the government announced £650m of extra funding in 2019/20 for local authorities in relation to adult and children's social care. This comprised:

Winter Pressures Grant.

13.19 £240m of additional funding in 2019/20 for councils to spend on adult social care services to alleviate winter pressures on the NHS. This Winter Pressures Grant funding will be allocated in 2019/20 using the existing Adult Social Care Relative Needs Formula. This funding is ring fenced and will be pooled into the Better Care Fund.

Social Care Support Grant.

13.20 £410m in 2019/20 for use for adult and children's social services. The government believes there is not a single bespoke needs formula that can be used to model relative needs for both adult and children's social care fund therefore the existing Adult Social Care Relative Needs Formula will also be used to distribute this Social Care Support Grant funding. This grant will not be ring fenced, and conditions or reporting requirements will not be attached, nor will there be any prescription of how much of it should be spent on adult social care or children's social care.

Business Rates Levy Account - £180m in 2018/19

13.21 An additional £180m was announced by the Secretary of State. This has been provisionally allocated via the 2013/14 Settlement Funding Amount allocations. It has been funded from the surplus on the Business Rates Retention levy/safety net account.

13.22 MHCLG have confirmed that this funding is not shown in the Core Spending Power figures and therefore will be in addition to the amounts shown.

Wider Local Government Funding Issues

13.23 In addition to the Core Spending Power amounts, the following information was also published as part of the Provisional Settlement information.

(i) Fair Funding Review

13.24 The government has published a further technical paper on the "Review of local authorities' relative needs and resources", which consults on the assessment of relative needs, relative resources and transitional arrangements.

13.25 The consultation outlines further:

- Proposals to simplify the assessment of local authorities' relative needs by introducing a simple Foundation Formula, alongside several 'service-specific' formulas. This includes a focus on the structure of the needs assessment, the weighting between services, weighting of cost drivers, Area Cost Adjustments and future proofing the needs assessment;
- The type of adjustment that will be made to an authority's relative needs assessment to take account of the relative resources available to them to fund local services, such as council tax; and
- A set of principles that will be used to design transitional arrangements and examines how the baseline for the purposes of transition should be established.

13.26 This consultation will last for 10 weeks from 13 December 2018 to 21 February 2019. It asks 16 questions and Croydon will be submitting a response.

(ii) Business Rates Retention

13.27 The government has published the consultation paper "Sharing risk and reward, managing volatility and setting up the reformed system", a technical consultation which seeks views on proposals for sharing risk and reward, managing volatility in income and setting up the reformed business rates retention system.

13.28 The consultation outlines further proposals to:

- Update the balance of risk and reward to better reflect the wider context for local authorities in 2020. It suggests a future approach to resets that would smooth potential 'cliff edges' in income, proposes reforms to the levy that would allow more authorities to keep more of their business rates growth, and reaffirms the Government's commitment to a safety net to protect authorities from sudden reductions in income;
- Mitigate volatility in income and simplify the system; and
- Set up the new business rates retention system in April 2020 – specifically, inviting views from local authorities on the operational steps that may be necessary to set accurate Business Rates Baselines.

13.29 This consultation will last for 10 weeks from 13 December 2018 to 21 February 2019. It asks 15 questions and Croydon will be submitting a response.

(iii) Business Rate Pilots

13.30 In July 2018, the government invited local authorities to submit applications for pilot status in 2019/20. Following a competitive process, which saw 35 applications submitted, an additional 15 areas have been selected as 75% business rates retention pilot areas for 2019/20. The original pilot areas from 2017/18 that will remain at 100% for 2019/20. London also remains a pilot area, but changes from 100% (2018/19) to 75% for 2019/20; in addition to there are also 15 pilot areas for 2019/20 that will be at 75%.

13.31 The successful areas will have the same 28-day cooling off period as the 50% Business Rate Pools to decide to either go ahead or to not become a pilot area.

14. Public Health grant

14.1 From 1 April 2013 the responsibility for the management of Public Health (PH) services in the borough transferred to the Council from the NHS. This brought about a range of new responsibilities including providing PH advice to Croydon CCG, tackling smoking, alcohol misuse and obesity, sexual health services, health inequalities and substance misuse including in-patient care. Additional funding was received in 2016/17 for the transfer to the Council of new responsibilities from NHS England for Health Improvements 0-5 years which took place on 1st October 2015. Funding for 2019/20 continues to be cut as it has in the last two year and has reduced by £0.579m to £20.785m. This is in spite of a growing population and growing need, e.g. a significant increase in the birth rate over the last few years.

14.2 The ring-fence grant is used to commission a range of mandated service from external and internal provider’s e.g. Health visiting, Substance misuse services, sexual health services etc. As well as providing resources for services within Croydon council that improve the health and wellbeing of the people in Croydon.

14.3 A review of the services that are commissioned as well as a detailed review of the resources that are provided for services within the Council will be carried out in 2019/20 to ensure that the funding is utilised in the most effective manner and delivers on public health outcomes.

14.4 The savings will be realised through a combination of a reduction in the public health staffing budget, service efficiencies, and reductions in the value of a number of contracts.

15. Dedicated Schools Grant (DSG)

15.1 The Dedicated Schools Grant (DSG) is a grant that funds all aspects of education that relates directly to children. In March 2016 the DfE announced Fair Funding proposals and in the two consultations that followed set out the intentions for funding going forward. The intention was to implement the National Funding Formula (NFF) by December 2016 however due to delays, the NFF will be in place from April 2018 with a soft implementation of the NFF being available to Local Authorities (LAs) for three years from 2018/19 up to and including 2020/21.

15.2 This option allows LAs, following Schools Forum approval, to apply local rates / amounts to each of the factors that determine the allocation (such as Minimum Funding Guarantee and income deprivation affecting children) prior to the distribution of funding to schools.

15.3 The DSG consists of four blocks: a Schools block; an Early Years block; a High Needs block; and the Central Services Schools Block (CSSB).

15.4 The DSG allocation for Croydon for 2019/20 is **£341.67m**, increased by £4.71m compared to 2018/19 allocation of £336.96m. The allocation will be reduced by recoupment for academy funding. This is currently estimated to be in excess of £166m but will be subject to change throughout the financial year if more schools convert to academies. The education budget for 2019/20 was presented at Children and Young Peoples Scrutiny Committee on the 5th February 2019.

15.5 Full details of the DSG breakdown for 2019/20 are contained in Appendix G.

Schools Block

15.6 The Schools Block 2019/20 allocation is £247.51m (before recoupment), which is an increase of £3.64m since 2018/19 due to an increase in pupil numbers of 260 to 51,037.

15.7 The minimum funding guarantee (MFG) will continue to be applied, hence no school or academy will see a reduction of more than minus 1.5% per pupil compared to its 2018/19 budget (this excludes sixth form funding). MFG protects schools' budgets from large changes in funding based on factor changes. It protects on a £/per pupil basis. This means it will not protect a school against falling roll numbers.

15.8 From 2018/19 the NFF provides two per pupil funding rates, one for primary pupils and one for secondary pupils. The 2018/19 rates per pupil were £4,238.50 for primary pupils and £5,317.93 for secondary pupils. In 2019/20, the respective funding rates are £4,293.34 and £5,460.88. Croydon is, on a per pupil basis for primary and secondary pupils, ranked 25th out of 32 London boroughs. This ranking has slipped one place since 2018/19. Although Croydon has seen an increase in its funding allocation, boroughs nearest to us have also received an increase. This results in the continuation of the gap between how much extra a pupil in one of our nearest neighbours is funded compared to Croydon.

Early Years

15.9 The Early Years 2019/20 indicative allocation is £26.69m a decrease of £0.01m since 2018/19 due to a small reduction in the funding allocated for the maintained nursery school supplementary funding and the Disability Access Fund. The final allocation will be adjusted following the January 2019 census.

15.10 The Early Years block allocation for Croydon is based on a nationally set rate of a:

- £5.13 hourly rate for three and four year olds; and
- £5.66 for two year olds
-

The allocation will be updated following the January 2019 census after which the hourly rates for will be finalised by Schools Forum. The proposed rates based on the indicative 2019/20 allocation are:

- £5.66 for two year olds
- A (provisional) increase in rate for three and four year olds in 2019/20 to £4.73 (£4.50 in 2018/19)

High Needs

15.11 Funding for High Needs provision continues to be area of increased budget pressure nationally and Councils including Croydon are developing new SEND strategies to ensure services are delivered efficiently and effectively to meet demand and need. Croydon Council has recently reviewed special educational needs and disabilities demand, practice and provision and engaged with stake-holders, including parents, young people and schools to inform the development of a draft three year SEND Strategy. A consultation period has recently concluded and implementation of the new strategy will commence in the new financial year.

15.12 The High Needs 2019/20 allocation is £60.21m, which is an increase of £1.14m since 2018/19. This allocation is based on the October 2018 census, with further adjustments to be made for January 2019 census.

15.13 At quarter 1 2018/19, the High needs block forecast overspend was £12.20 million (including previous years overspends). Based on this forecast, on the 12th November 2018, Schools Forum agreed to transfer funding of 0.5% in 2019/20 (from the 2019/20 funding to be used for the 2018/19 overspend) from the provisional Schools Block to the High Needs Block. At that time, the 0.5% equated to £1.23 million.

15.14 The quarter 2 position has increased the High Needs Block forecast overspend to £12.64m. In addition, as the final allocation of the Schools Block was slightly higher than that of the provisional allocation – the 0.5% top slice would increase to £1.24m, resulting in an overall projected DSG overspend for 2018/19 of £11.40m.

15.15 The above transfer to the High Needs Block is in addition to the funding allocation of £1.966 million received for 2018/19 and 2019/20.

15.16 The High Needs Block continues to face increased demand without any corresponding increase in per pupil funding, which has led to an over-reliance on the independent / non-maintained sector, due to shortage of local state funded special schools and / or resourced provision. This is being addressed and a strategy developed to move to a more sustainable framework.

15.17 Croydon Council has a long term plan to increase special schools, Enhanced Learning Provision and post 16 specialist places, including a new free special school with 150 places opening in September 2020. Through this strategy the intention is to provide an effective pathway of local education provision for young people which is an efficient use of resources and supports young people in becoming independent in or near their local community.

15.18 Management of the high needs block and reducing the overspend requires that together there is an approach that manages reliance on Education, Health and Care Plans (EHCP) for children with lower levels of SEN, reduces demand and ensure placements of children are delivered through the continuum of state-funded education provision at efficient values.

15.19 On 21st January 2019 a letter was submitted to the Secretary of State for Education collectively by a number of London Councils regarding the concerns that have already been raised by many Councils on the mounting crisis in High Needs Funding for children with Special Educational Needs and Disabilities (SEND).

15.20 The Government Finance Settlement and the Education Secretary's additional funding for SEND announcement whilst welcomed by hard-pressed Councils, and the SEND funding announcement are not nearly sufficient to address current funding shortfalls let alone projected deficits. The letter asks for urgent action to address the situation to protect critical local services that residents rely on and also to work with HM Treasury to address this issue. The proposed 2019/20 funding should be improved, and the longer-term position considered in the Fairer Funding review.

15.21 In December The Department for Education (DfE) consulted on new arrangements for reporting deficits of dedicated schools grant (DSG). The proposal relates to authorities, where they will be leaving part or all of their accumulated DSG deficit outstanding, they will be required to provide a clear explanation as to why their deficits could not be recovered in the short term and provide thorough evidence to support their proposals, in agreement from their Chief Finance Officer (CFO).

15.22 Evidence to support local authority recovery plans should also have been presented to schools forums. The DfE are already aware that that majority of these deficits are usually caused by high needs pressures, and recovery plans will typically include block movement disapplication requests. Authorities will, however, need to address whatever the main causes of overspending on the DSG have been.

15.23 Croydon welcomes the proposal as it signals that national government is recognising the serious issue of funding not matching the demand within the High Needs block.

Central Services Schools

15.24 In 2018/19, the NFF created a fourth block within the DSG called the Central Services Schools Block (CSSB). This block is made up of two parts –Reported spend on Ongoing Functions and Reported spend on Historic Commitments.

Ongoing Functions

15.25 The Reported spend on Ongoing Functions includes services such as School Improvement and Education Welfare, totals £2.91m.

15.26 The 2019/20 allocation for ongoing functions has reduced by £0.06m (despite pupil numbers increasing by 260) based on a reduction in the CSSB unit of funding from £58.37 per pupil in 2018/19 to £56.91 in 2019/20.

Historic Commitments

15.27 The Reported spend on Historic Commitments consists of the prudential borrowing costs towards in borough provision of High Need places, costs towards a PFI contract and historic teacher pension costs, which totals £3.21m, and remains unchanged from 2018/19.

15.28 The 2019/20 draft budget for the Schools, Early Years, High Needs and Central School Services Blocks was agreed by Schools Forum on the 21st January 2019. The Schools Block funding formula was submitted to the DfE by the 21st January 2019 using the budget principles agreed by Schools Forum over the autumn period. Once agreed by the DfE the detailed school budgets will be finalised and these will be issued to schools in March 2019.

16. Capital Budget – 2019/2022

16.1 Our Capital Programme remains a key part of the overall budget setting process. It remains focused on supporting the delivery of our statutory responsibility in relation to school places whilst also investing in district centres and community facilities across Croydon. The draft programme for 2019/22 is set out in Tables 17 and 18. The potential slippage from 2018/19 will be reviewed at the end of the financial year and reported to Cabinet in July.

16.2 The Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement Capital Strategy and Annual Investment Strategy 2019/20 report at agenda Item 3C of this agenda contains the capital strategy which sets out how capital investment supports the delivery of the authority’s objectives. It describes the main objectives for the Council over a three-year horizon 2019/22.

16.3 Borrowing is undertaken for specific schemes and is prioritised where it can have a net positive impact on the revenue budget and there is a clear repayment plan for the capital. Borrowing can be clearly split into four elements:

- **Borrowing – Revolving Investment Fund** – normally for housing and on lent at a commercial rate where debt is repaid on completion of the project.

- **Borrowing – Growth zone** – debt is repaid from future business rates growth.

- **Borrowing – Asset Investment strategy –** Borrowing decisions made in line with the agreed strategy and where the asset generates a positive net return. Debt would be repaid in future from asset value.

- **Borrowing – General –** Any other priority capital schemes that cannot be funded from external sources. Allowance needs to be made in the revenue budget for repayment of capital and payment of interest.

Table 16 – Capital Programme

Description	Budget 2019/20	Budget 2020/21	Budget 2021/22	Total 2019/20 to 2021/22
	£000's	£000's	£000's	£000's
Education - Fixed Term Expansions	900	336	-	1,236
Education - Fire Safety Works	1,000	-	-	1,000
Education - Major Maintenance	2,000	2,000	2,000	6,000
Education - Miscellaneous	4,935	272	207	5,414
Education - Permanent Expansion	719	508	399	1,626
Education - SEN	24,534	11,681	473	36,688
Education - SEN Centre of Excellence	1,550	-	-	1,550
Children, Families and Education Sub Total	**35,638**	**14,797**	**3,079**	**53,514**
Affordable Housing Programme	7,273	-	-	7,273
Disabled Facilities Grant	2,400	2,400	2,400	7,200
Gateway, Strategy and Engagement Sub Total	**9,673**	**2,400**	**2,400**	**14,473**
Allotments	341	-	-	341
RIF	30,000	20,000	-	50,000
Community Ward Budgets	576	576	576	1,728
Devolution initiatives	912	912	912	2,736
Empty Homes Grants	1,000	500	500	2,000
Feasibility Fund	330	330	330	990
Fieldway Cluster	1,413	-	-	1,413
Fiveways junction	3,000	2,000	-	5,000
Growth Zone	8,000	20,000	60,000	88,000
Highways - Maintenance Programme	5,000	5,000	5,000	15,000
Highways - flood water management	414	175	-	589
Highways - bridges and highways structures	223	8,110	-	8,333
Highways - Tree works	179	179	179	537
Leisure centres equipment upgrade	1,004	-	-	1,004
Libraries Investment	2,000	2,000	1,000	5,000
New Addington Leisure Centre	5,796	-	-	5,796
New Addington wellbeing centre	-	6,500	6,500	13,000
Parking	153	-	-	153
Park Life	12,151	-	-	12,151

Play Equipment	985	-	-	985
Safety - digital upgrade of CCTV	500	-	-	500
TFL - LIP	2,462	2,000	2,000	6,462
Walking and cycling strategy	750	750	-	1,500
Waste and Recycling - Don’t Mess with Croydon	601	475	-	1,076
Place sub-total	**77,790**	**69,507**	**76,997**	**224,294**
Asset Acquisition Fund	45,000	-	-	45,000
Corporate Property	2,000	2,000	2,000	6,000
Finance and HR system	412	-	-	412
ICT Refresh & Transformation	5,500	1,500	1,500	8,500
People ICT Programme	6,927	2,014	1,521	10,462
Uniform ICT upgrade	534	3,600	-	4,134
Resources sub-total	**60,373**	**9,114**	**5,021**	**74,508**
General Fund	**183,474**	**95,818**	**87,497**	**366,789**
Fire safety programme	10,000	-	-	10,000
Larger Homes	1,500	-	-	1,500
Major Repairs and Improvements Programme	26,771	26,771	26,771	80,313
Special Transfer Payments	180	180	180	540
HRA Total	**38,451**	**26,951**	**26,951**	**92,353**
Capital Programme Total	**221,925**	**122,769**	**114,448**	**459,142**

Table 17: Funding for the capital programme

Funding	**Budget 2019/20**	**Budget 2020/21**	**Budget 2021/22**	**Total 2019/2022**
	£000's	**£000's**	**£000's**	**£000's**
Capital receipts	2,500	-	-	2,500
ESFA	10,000	3,500	-	13,500
School Condition Funding	2,000	-	-	2,000
Basic Needs (Education)	6,833	-	-	6,833
EFA Invest to Save (Education)	969	969	-	1,938
TFL LIP and other funding	2,462	2,000	2,000	6,462
NHS	-	5,000	-	5,000
CIL	6,800	6,800	6,800	20,400
CIL local meaningful proportion	1,200	1,200	1,200	3,600
Disabled Facilities Grants	2,400	2,400	2,400	7,200
Borrowing	48,946	33,949	15,097	97,992
Borrowing - RIF	37,273	20,000	-	57,273
Borrowing - Asset Acquisition Fund	45,000	-	-	45,000
Borrowing - Growth Zone	8,000	20,000	60,000	88,000
S106	1,800	-	-	1,800
Football foundation	7,291	-	-	7,291
GENERAL FUND	**183,474**	**95,818**	**87,497**	**366,789**
Major Repairs Allowance	27,709	21,209	21,209	70,127
HRA - Revenue Contribution	3,718	3,718	3,718	11,154
HRA - Use Of Reserves	7,024	2,024	2,024	11,072
HRA FUNDING	**38,451**	**26,951**	**26,951**	**92,353**

TOTAL FUNDING	**221,925**	**122,769**	**114,448**	**459,142**

UNDER/OVER FUNDING OF PROGRAMME	**-**	**-**	**-**	**-**

16.4 The capital programme detailed in tables 16 and 17 above excludes slippage from the 2018/19 capital programme. Estimated slippage is detailed in the quarter 3 financial monitoring report at agenda item 3B. It is currently estimated that there will be scheme slippage of approx. £20m. The actual slippage will be reported to this Cabinet as part of the annual July Financial Review report. Schemes which are funded using a combination of external grants and borrowing will only be undertaken once the external funding is secure; amounts of council borrowing shown are indicative.

16.5 There are a number of key projects supported in the 2019/20 programme, including:

16.5.1 Continued investment in the primary school estate to provide additional places to meet the growing demand and carry out fire safety works of **£53.5m** from 2019/20 to 2021/22.

This includes £13.5m for the New Addington Valley SEN School on the Timebridge site which the Education and Skills Funding Agency (ESFA) commissioned Croydon to lead on. The school will offer 150 places to children aged 2-19 years, with autism and learning difficulties, with the aim of providing a local pathway from the early years to adulthood. The proposed date for the first phase of the school to be opened is September 2020. The project will be fully funded by the ESFA.

16.5.2 £5m investment in Croydon’s libraries over 3 year capital programme 2019/22. The draft libraries strategy (2018-2028) sets out an ambitious programme of work over the next 4-10 years that will transform Croydon’s libraries into a modern library service that will meet the ambitions for the service and contribute to Croydon Council’s outcomes, priorities and locality based delivery. Croydon Council has been developing its new operating model with a focus on prevention and locality based services

16.5.3 Continued investment in Public Realm and Highways Infrastructure. This scheme will enable investment in the public realm and highways to ensure that the infrastructure is fit-for-purpose and achieves our vision making use of the opportunities presented by the Croydon Growth Zone. The Council will increase its borrowing to maintain the highways network following reduction in TFL funding. Additional borrowing has been included to support the work needed to maintain bridges and other key structures and to meet our legal obligations under the Flood Water Management Act.

16.5.4 Continued investment in New Addington which includes the well-being centre, the New Addington Leisure Centre, the Fieldway Cluster, public realm and other expenditure. The total investment from 2014 to 2022 will be around £60 million in addition to the capital expenditure from the HRA.

16.5.5 Improvements to the Council’s ICT infrastructure to provide a fit for purpose service to staff and residents remains a priority. This includes:

16.5.6 £10.4m over 3 years for the full implementation and improvements of the ICT software to support and drive efficiencies in the Housing, Adults and Children's' services.

16.5.7 £4.2m over 3 years for the procurement of Uniform System, a key line of business system used across the Planning and Strategic Transportation, Building Control Highways, Environmental Health and Licencing services.

16.5.8 £12.1m over 3 years for the ParkLife Croydon project, a Football Association-led initiative to tackle long-term under-investment in Croydon's Football facilities will enable two new, state-of-the-art borough Football hub sites that will be part funded by £7.2m of Football Foundation money. The new facilities are expected to achieve in excess of 26,000 visits per year each, and will make a major contribution to physical activity and health outcomes, as well as wider as well as wider socioeconomic and regeneration objectives.

16.5.9 The HRA Estates capital programme set out in Table 16 shows the planned expenditure in 2019/20 is £38.5m and total is £92.3m over the 3 years to maintain homes to a decent homes standard and the funding available to support our priorities and vision.

- Work is continuing to ensure fire safety within residential blocks owned or leased by the Council is compliant and meets current standards in order to provide safe homes for our residents.
- Post Grenfell Tower the Council increased the level of fire risk assessments to all council blocks to ensure robust procedures are in place and outstanding works programmed. In 2019/20 an additional £5m expenditure is planned on fire safety works to address issues highlighted in the Fire Risk Assessment.
- The capital programme includes £26.7m planned for ongoing and essential works identified, these include replacement/upgrade of flat front entrance doors, installation/ upgrade of emergency lighting and fire alarm systems where required and blocks with spandrel panels which may need to be replaced.

Revolving Investment Funding (RIF) for Housing and other development

16.6 Cabinet previously agreed to set up a RIF to support the delivery of our Growth Promise. The RIF is acting as funder both to the development company Brick by Brick and the Housing LLP's set up in conjunction with the charity Croydon Affordable Housing. The figures shown in the table above are shown on a net basis. The Council may lend to Croydon Affordable Homes if the company cannot secure debt from other sources. Brick by Brick will increasingly recover its costs through sales receipts and enable borrowing to be repaid, or re-invested into further schemes.

16.7 The RIF lends at commercial rates whilst borrowing at the lower rates which are available to the council. The net returns estimated over the next 3 years are £2m per annum and are included in the revenue budget.

Growth Zone

16.8 The Croydon Growth Zone is a Tax Incremental Financing (TIF) model which harnesses business rates uplift to enable borrowing to fund infrastructure. The Croydon Growth Zone programme consists of a range of transport, public realm social infrastructure and technology projects as reported to Cabinet in December 2017. They are deemed essential to mitigate the impact and maximise the opportunities of the growth planned (as detailed in the Croydon Local Plan 2018, Croydon Opportunity Area Planning Framework 2013 and the London Plan) in Croydon for the benefit of existing and future residents, businesses and visitors.

16.9 Table 18 below sets out the spending profile of the Growth Zone programme to be delivered to 2021/22 that was approved by cabinet in October 2018.

Table 18 Growth Zone projects

Project	**2019/20 (£'000s)**	**2020/21 (£'000s)**	**2021/22 (£'000s)**
Transport	2,885	12,600	39,886
Public realm	2,565	4,940	19,374
Construction Logistics	500	685	465
Parking	300	825	75
Culture	1,000	300	200
Social Infrastructure	250	250	-
Croydon Works	400	400	0
Energy	**100**	-	-
TOTAL	**8,000**	**20,000**	**60,000**

Section 106 and Community Infrastructure Levy (CIL)

16.10 The Council, as Local Planning Authority, when required secures Section 106 Agreements as a requirement of the grant of planning permission to secure the mitigation measures necessary to make a development acceptable in planning terms. This includes securing financial contributions towards infrastructure types and projects.

16.11 The Council manages, monitors and recovers Section 106 income. In the 2018/19 year up to quarter 3, a total income of £1.129m has been received.

16.12 The Council's Section 106 balance as at 31/12/2018 was £10.508m. This balance is sub-divided into the heads of terms for infrastructure types and projects as set out in the parent Section 106 agreements. This understanding is important as Section 106 income can only be assigned in accordance with the parent Section 106 agreement in terms of infrastructure type, project and / or the location defined in the agreement. Set out below in table 19 is the Council's detailed Section 106 balance sheet.

Table 19 – S106 breakdown of funds

Section 106	**Balance £'000**
Housing	3,468
Transport	2,684
Education	596
Open Spaces	1,254
Other	2,506
TOTAL	10,508

16.13 In terms of future Section 106 assignment, our affordable housing income will be assigned to align with the Council's emerging housing funding strategy. The Council is actively working on how the remainder of the Section 106 moneys can be used to benefit the people of Croydon.

16.14 The Council introduced the borough's CIL in April 2013. The Council has been collecting the borough's CIL since this date. As a consequence of requiring the grant of planning permission and commencement of development post April 2013 for the CIL to be liable for payment, the income received since the introduction has gradually increased.

16.15 At the end of 2017/18 the borough's CIL closing balance was £9.842m. This is a combined total for the borough's CIL, Local Meaningful Proportion and the 5% administration fee deducted to cover the costs associated with operating as a collecting authority. The current balance for 2018/19, after planned expenditure of £7.3m as at 31/12/18 was £11.582m, including the 5% administration fee and 15% Local Meaningful Proportion for 2018/19.

16.16 Regulation 123 of the Community Infrastructure Levy Regulations 2010 (as amended) restricts the use of CIL to ensure no duplication between CIL and planning obligations (Section 106).

16.17 The Council's Regulation 123 list indicates the infrastructure projects or types that will, or may be, wholly or partly funded by CIL. This broadly covers all infrastructure projects and types, except for sustainable transport and highway that are secured through Section 106 and / or Section 278 highway agreements.

16.18 In addition to allocations in 2018/19, and based on current CIL balances and forecast CIL receipts, it has been assumed that £7.3m of CIL money will be available to fund the capital programme. The specific projects to enjoy borough CIL funding will be defined through consultation with lead Cabinet Members. The specific project assignment will occur post the approval of this report.

16.19 The Community Infrastructure Levy (Amendment) Regulations 2013 allow for up to 15% to be spent on the provision, improvement, replacement, operation or maintenance of infrastructure; or anything else that is concerned with addressing the demands that development places on Croydon. This is commonly referred to as the Locally Meaningful Proportion.

16.20 The CIL Local Meaningful Proportion as at 31/12/18 was £2.369m. The capital programme has assigned the Local Meaningful Proportion to fund the Community Ward Budgets.

Housing Programme

16.21 In the past housing investment has been undertaken using HRA funds and Council borrowing. From 2017 housing new builds are being undertaken by Brick by Brick, the Council's independent development company. Brick by Brick will have invested around £700m by 2021/22 to deliver more than 2,000 new homes in Croydon, it is expected to deliver a total of 522 affordable rent units in the current programme, with a further 561 units in the pipeline programme. These units will transfer to the Croydon Affordable Homes LLP.
The Council has also continued to purchase street properties for the provision of affordable rent and at the end of this year it is anticipated that phase 2 of this programme to purchase an additional 250 properties will be completed. These properties will also transfer to the LLP.
Croydon has also been awarded £61m to build new council homes by City Hall from funding secured the Mayor of London's £1 billion Building Council Homes for Londoner's programme for social housing. The grant funding is being used to build homes at affordable prices for shared ownership and let to people in the borough who need them most.

Table 20 – **Housing – New Assets**

	Number of Affordable Units	**Total Pipeline Properties**
Street Properties – phase1	96	
Street Properties – Phase 2	250	
Taberner House	90	
BxB	522	561

16.22 Alongside this housing building programme, we will be continuing to invest in housing improvements. These properties are being funded by capital borrowing, the use of Right to Buy Receipts earned from previous sales and grant funding.

16.23 To enable the increase of the provision of affordable housing in the borough, the Council entered in to three separate limited liability partnerships (LLPs) with a local charity to develop units across the borough and street purchased properties as affordable rented homes. The LLPs have utilised the Council's retained right to buy receipts, which it is unable to due to the limited resources in the housing revenue account due to the government imposing a borrowing cap on HRA up until its lifting in October 2018, with the Council acting as lender for the balance of the funds for the purchase of the leases and development of the sites. This has enabled acquisitions of 346 street properties for the provision of affordable rent in the borough without public subsidy.

Repair and Improvement of council stock

16.24 A key aim for the council has been the government target of bringing 100% of social homes up to the decent home standard. Croydon has invested in its HRA properties to ensure that it meets, and continue to achieve the decent homes standard. The Council has achieved a constant 99-100% of homes maintained at the decent home standard over the last seven years. Homes which are currently decent will fall below the standard, for example as facilities age and with wear and tear, the Council will need to continue to invest in the stock to keep homes up to standard over time. Indeed, the social housing regulator has proposed a revised home standard which will reflect the government's direction that social landlords should comply with the decent home standard with ongoing effect. The council continues to invest in maintenance and improvement works in order to maximise the life of the assets

16.25 The proposed major repairs and improvement programme for 2019/20 will remain at circa £27m. It should be noted that there is also a separate programme of responsive and cyclical repairs which are resourced through revenue funding totalling £12m. Additional works of £5m to respond to the need for fire safety works have been included in the 2019/20 capital programme, this will bring the total spend to £10m in this year. The costs of this is being funded out of reserves and we continue to lobby central government for the funding.

Capital Allowance (HRA)

16.26 Local authorities are required to establish a 'Capital Allowance'. This is a notional amount set by the Council. The main considerations in setting the allowance are to ensure that it will exceed the anticipated receipts during the year and that total investment in affordable housing needed within the borough exceeds the allowance. This is in order to justify 100% use of the receipts.

16.27 The Capital Allowance for 2018/19 was set at £10m. It is recommended that the Capital Allowance for 2019/20 is set again at £10m. This will enable the Council to keep 100% of the receipts of any HRA disposals of land or property during the year for housing investment purposes. The Capital Allowance will continue to be reviewed annually as part of the process for approval of the Council's Housing Investment Programme and will include a report back on the previous year's activity.

17. Housing Revenue Account (HRA)

17.1 The Housing Revenue Account (HRA) is a ring-fenced account used to manage income and costs associated with managing the Council's owned housing stock and related assets which includes shops and garages on council housing estates. It is funded primarily from tenants' rents and service charges. The services provided to tenants and leaseholders which includes responsive repairs, management and supervision services and caretaking as examples are resourced from this account.

17.2 At the start of 2018/19, Croydon's HRA consisted of 13,572 homes, 2,375 leasehold flats and 1,101 blocks. In addition, there are 834 homes that are managed on behalf of the General Fund, Private Landlords and Croydon Affordable Homes. These properties similarly require repair, maintenance and investment to maintain good quality accommodation, and offer temporary accommodation to families most in need.

17.3 Longer term planning for the HRA is continuing to take place through the 40-year business plan which is updated annually to reflect changes in legislation and assumptions which underpin the financial projections. This includes reviewing the impact of the Housing and Planning Act 2016 to understand and model the impact of the 1% rent reductions introduced from 2015/16 for four years, and build a sustainable budget for revenue and capital spend within the HRA. In particular, the announcement about the lifting of the HRA borrowing cap is a key consideration.

17.4 The budget for 2019/20 shows a balanced position as required by statute and will be reported with the proposed rent and other charges to the Tenants and Leaseholders Panel on the 12th February 2019. A draft budget for the HRA for 2019/20 can be found in the Budget Book in Appendix B.

17.5 All investment in new-build is being undertaken outside of the HRA by either the Council's Development Company, Brick by Brick, or other partners.

17.6 Croydon Affordable Homes (the charity set up by the Council in partnership to deliver affordable rented properties across the borough) will be renting out local homes at a maximum of 65% of the market rent to borough residents and remaining units will be available through shared ownership.

17.7 The government announced the lifting of the borrowing cap in October 2018. The removal of the borrowing cap provides an opportunity for the Council to borrow more money for social housing provision in future subject to affordability constraints which it can use flexibly.

17.8 Prior to the announcement, the introduction of self-financing for the Housing Revenue Account (HRA) in April 2012 was accompanied by a limit on the amount of housing debt that each authority could hold. Croydon's current HRA debt is £324m with a headroom of £11m. The limitations this generated for the HRA business plan resulted in many authorities (including Croydon) seeking to borrow to support affordable housing outside the HRA.

17.9 The Council is using its wholly owned development company, Brick by Brick (BxB), to bring forward housing led developments and Housing LLP, Croydon Affordable Homes (CAH) to increase the provision of social and affordable housing in the borough for the benefit of residents. Funding for these schemes is secure through the source that provides value and where appropriate the Council provides the required funding from its Public Works Loan Board (PWLB) borrowing, with repayments including interest.

Housing demand

17.10 It is considered that for at least the next 10 years that the housing market in London and the South east will be characterised by rising demand and increased barriers to entry caused by rising house prices, rising rents and population growth. Beyond 10 years it is difficult to predict with any certainty what housing policy will be in place or what structural housing market changes may have occurred.

17.11 The mix of new housing supply continues to be influenced by numbers of applicants on the Council's housing register locally and the forecasts of future housing need.

17.12 The budget position of the HRA is subject to continued uncertainty in light of further policy proposals that have been issued by the government. The Council is awaiting the final outcome of the legislative process followed by detailed guidance still to be issued by government.

17.13 The 'A new deal for social housing' Green Paper consultation outcome is awaited. Recent changes and proposals impacting HRA are set out below.

- The government has announced that from 2020/21 rent increases will apply at CPI+1% (Consumer Price Index) on social housing rented properties.
- The government has proposed making Right to Buy (RTB) receipts to be available for 50% of social rented new build costs rather than 30%.
- The government has proposed extending use of existing RTB receipts to 5 years with new receipts being available for 3 years.

17.14 However, assumptions about these policy changes and the current legislation, % reduction in rental income, have been incorporated into the 40 year business plan and annual budget setting. These are explained below:

Disposal of "high value" properties

17.15 The government confirmed in the Green Paper that it will not bring into effect the levy imposed on local authorities for the disposal of high value void levy as provided for in the Housing and Planning Act 2016.

Right to Buy

17.16 Croydon Council entered into a retention agreement with the government in April 2012. Under the terms of the agreement, the government requires that local authorities can only retain the receipts from right to buy (RTB) sales if they spend it within three years of retention to create new stock by match funding the purchase of this new supply on a 70:30 basis.

17.17 The implication of this is that the RTB receipts can only fund 30% of new property development or acquisition costs with the remaining balance of 70% funded through the council's HRA or other resources. Interest is repayable to the government on retained receipts not used within 3 years.

17.18 The Council's Housing LLP uses the retained RTB receipts which the HRA had been unable to use due to the limited resources in the HRA before the government announced the lifting of the borrowing cap, with the Council acting as lender for the balance of the funds for the purchase of the leases and development of the sites. As explained above, if the Council did not use the retained RTB receipts in this manner, it would need to repay the unused receipts to central government with interest.

17.19 The current 2019/20 HRA budget and business plan assumes there will be 80 right to buy sales in the year. As well as the loss of an asset to the HRA, this impacts on the level of rents collected year on year and therefore the availability of funds to match the 70:30 requirement.

17.20 The table below shows the RTB sales since 2012 compared to the assumptions in the Self-Financing (SF) settlement.

Table 20 – RTB sales since 2012

	Actual Sales (Forecast from 2018/19)	Assumed Sales (in SF Settlement)
2012/13	36	14
2013/14	51	17
2014/15	135	19
2015/16	143	20
2016/17	148	20
2017/18	88	20
2018/19	80	20
2019/20	80	20
Total	**771**	**150**

Rent Setting and Changes

17.21 The Welfare Reform and Work Act 2016 requires all registered providers of social housing in England to reduce rents by 1% a year for four years from 2015/16 levels to 2019/20. This reduction commenced in 2016/17, making 2019/20 final year. Rents for new tenants must also reflect the 1% per annum reduction.

17.22 Where tenants are eligible for receipt of Housing Benefit, the level of benefit will reflect the lower rent. However, a small number of tenants may be subject to the overall benefit cap. The introduction of Universal Credit in Croydon has begun to have an impact on rent collection rates. Rates are likely to continue to drop as tenants move from receiving housing benefit to universal credit when they experience a change in circumstances, impacting on the levels of bad debt that the Council must provide for.

17.23 The cumulative reduction in rents has resulted in the HRA has needing to make corresponding savings in expenditure and reduction in its annual spending by a total of £13.0m over the four-year period in order to maintain a balanced budget position.

17.24 The government has indicated that rent increase of CPI+1% will apply from 2020/21 for four years.

17.25 Social rents in Croydon are currently approximately 32%-35% of the private sector equivalent. New build council properties are let at an affordable rent which is based on the GLA guidance for London at 65% of the comparable private sector market rent. In the last 12 months, average market rents for Croydon have increased by 10% for 1 bed properties, 8% for 2 beds, and just 8% for properties with 3 bedrooms. The affordability of council rents in comparison to the private sector has therefore improved in the last year, as shown in table 21 below.

Table 21 – Comparison of rents in Croydon

Property Type	Average weekly Council rent 2018/19	Average weekly Council rent 2019/20	Current average private sector weekly rent	Council rent as % of private sector
1 bed	£85	£84	£243	35%
2 bed	£103	£102	£318	32%
3 bed	£125	£124	£389	32%

Service Charges

17.26 It is proposed that service charges remain at 2018/19 levels in 2019/20, with the intention that a review of the costs of provision and the allocation of those costs across Croydon properties to be reviewed in relation to the costs of providing these services before any changes are made to 2020/21 charges. From 1 April 2019, the Council will no longer collect payment for water and wastewater services on behalf of Thames Water from tenants. Instead tenants will be responsible for paying their water bills directly to Thames Water. The notification letter informing affected tenants of the change was sent in early January 2019.
The discontinuation of the water and wastewater services charge arrangement between Thames Water and the Council has been reflected in the rent and service charges to tenants in the 2019/20 Budget Setting and HRA Business Plan.

17.27 The charges for 2019/20 will therefore be:

Table 22 –2019/20 Tenant Service Charges

	2018/19	2019/20	Change
Tenant Service Charges			
Caretaking	£10.18pw	£10.18pw	£0.00pw
Grounds Maintenance	£2.09pw	£2.09pw	£0.00pw

Heating charges

17.28 Only a small number of tenants use communal heating systems and are charged a fixed weekly amount for the gas they use. Apart from the Handcroft Road Estate, all other schemes are retirement housing schemes for older people. Heating charges will remain the same as 2018/19 in line with RPI.

Garages and parking spaces

17.29 Rents for garages and parking spaces were not increased in 2018/19 and it is proposed that no increase will be applied for 2019/20.

Table 23 – 2019/20 Parking and Garage Charges

	2018/19	2019/20	Change
Parking Spaces			
Tenants	£7.00pw	£7.00pw	£0.00pw
Non-Tenants	£9.62pw	£9.62pw	£0.00pw
Garages			
Avg. Rent*	£13.13pw	£13.13pw	£0.00pw

Voids and Bad Debts

17.30 The loss of income associated with void properties is assumed at 0.9% for 2019/20.

17.31 In the light of the uncertainties regarding the impact of changes to the benefits arrangements a provision for bad debt has been included at £0.750m per annum for 2019/20.

HRA Savings

17.32 In order to balance the HRA budget position in the medium-term (particularly the impact of the 1% rent reduction), the council has identified a range of management savings to ensure that it continues to drive value for money from the services that it provides. A summary of these savings is shown in table 24 below:

Table 24 – 2019/20 HRA Savings Proposals

Management Savings	£000s
Staff Restructure savings	178
Cost Efficiencies	200
Contract procurement and budget review	710
TOTAL	**1,088**

17.33 The savings proposals set out in Table 24 above include savings made from restructuring on staff costs, cost efficiencies estimated on running costs and contract procurement.

18. Treasury Management

18.1 The Director of Finance Investment and Risk (S151 Officer) is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy. The details are set out in the Treasury Management Strategy which is recommended to Cabinet for approval as a separate item on this agenda.

19. Statement of the Section 151 Officer on reserves and balances and robustness of estimates for purposes of the Local Government Act 2003.

19.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (CFO) to report on the robustness of the budget estimates and adequacy of the planned reserves when the council tax decision is being made by the Council, this forms part of the statutory advice from the Section 151 officer to the Council in addition to his advice throughout the year in the preparation of the budget for 2019/20. The Chief Financial Officer and Section 151 Officer statutory responsibility resides with the Director of Finance, Investment and Risk. This is her statement which meets the Section 25 requirement of the Act.

19.2 All Members of the Council have been advised of the financial challenges the Council faces over the medium and longer term indicated clearly to the Council through the spending review reductions for the Council and more recently in the Provisional local government settlement from the Chancellor of the Exchequer. This clearly forecasts further and deeper reductions to Local Government and to the Council's funding until at least 2019/20. These further reductions are going to require a further review of the way we work and the way we deliver services. In taking decisions on any budget all Members must first and foremost understand the underlying funding changes which the Council faces and set these associated decisions within the context of the overall financial environment the Council faces.

19.3 These are very challenging times for local government and therefore it is certain that further difficult choices will be required over the coming budget cycles if the Council is to maintain a continued solid financial foundation and achieve a balanced budget position in future years. Continuous improvements have been made in the Council's overall financial standing demonstrated through progress towards targeted levels of general fund balances and the Council's ability to manage the significant in-year risks in a corporate and planned way. The revised financial strategy has been written to help us navigate through these difficult times and Members will need to fully support this strategy if the Council is to maintain a solid financial foundation. In forming my statement of the robustness of the budget estimates and adequacy of planned reserves I have reviewed this position in detail and have reported my conclusions and assumptions to the Cabinet on a continued on-going basis as part of the Council's overall governance and financial stewardship arrangements.

19.4 All Members must be aware that the calculation of the budget is, in its simplest form, dependent on three key factors, which are set in the context of the reducing level of support from central government, these are:

a) The structural growth and savings in service expenditure or income;
b) The level of increase in local taxation (council tax); and
c) The level of reserves and balances.

19.5 With regard to the Housing Revenue Account, It is important for Members to understand that the continued 1% reduction for the next year through government legislation would result in a significant reduction in income to the Housing Revenue Account and would make the 30 year business plan unsustainable based on the current expenditure plans. There is a great deal of uncertainty around other changes covered in the report that will impact on the HRA and therefore the focus has been on ensuring the 2019/20 budget is balanced and working on options within the control of the council to reduce expenditure in future years.

Growth and Savings in service expenditure

19.6 Proposals for growth and savings in service expenditure are ultimately a matter of political judgment balancing the needs and priorities of the borough with the available resources from Government and that which can be raised locally through taxation and income. In balancing such decisions Members must have regard to the professional advice of officers in such matters as service need, statutory responsibility, changes to Government legislation, demographic factors (particularly in respect of demand-led services), unavoidable cost pressures and future levels of Government funding support. This report forms part of the advice.

Local Taxation

19.7 The level of change in council tax is similarly a matter of political judgment, again having due regard to the professional advice of officers, and in particular to the advice of the s151 officer as regards the robustness of the budget, the level of reserves and balances, prudent financial management, the current and future financial risks the Council may face over the medium to longer term such as the localisation of business rates and council tax benefit support and the future forecast of Government funding support. The recent local government settlement saw a major shift in the government’s approach to Council tax. There has been the creation of the option to increase council tax by up to 3% without the requirement for a referendum. It is important for Members of the Council to understand that this reflects a long term pressure that the council faces as a result of demographic and population change and any decision made now also has a long term impact on the council’s financial strategy.

The Level of Reserves and Balances

19.8 The level of reserves and balances are principally the responsibility of the s151 officer and are key to ensure the financial sustainability of the Council. The Members of the Council are not automatically obliged to accept my advice in every particular, but must pay due regard to it and be satisfied that they have met their own public obligations if they are minded to depart from my advice.

19.9 In the context of the current financial climate and the financial risks which the Council faces my formal advice to all Member is that an appropriate level of General Fund Balances is between 3% and 5% for the medium term which is cash terms is between £8m and £13.3m. The current level of General Fund Balances is £10.3m, and are expected to remain unchanged.

19.10 The 2018/19 revenue budget is currently forecast to overspend by £5.466m and it is proposed to fund this from Earmarked Reserves at the end of the year. The strategy in 2019/20 will then be to replenish reserves from the anticipated collection fund surplus which will become available to the general fund on the 1st April 2019 and the dividend payable to the Council by Brick by Brick. This is a similar process to last year whereby £4.7m was added to earmarked reserves on the 1st April 2018.
In determining the level of reserves and balances key factors include:

- The risks inherent in the budget;
- The level of specific reserves and associated provisions;
- The identified efficiencies to be achieved;
- The future financial risks the Council may be exposed to both quantifiable and unquantifiable; and
- The Authority’s history of delivering services within the budgetary provision set.

19.11 Earmarked reserves are also relevant in supporting the budget and objectives of the council. The level of earmarked reserves reflects a number of policy decisions by the council and supports the revenue budget. The decision to use earmarked reserves for particular purposes can be a political decision based on priorities and also needs to reflect the financial strategy objectives of the council. Earmarked reserves have reduced over the last 3 years and are expected to be in the region of £20m at the end of 2019/20. This is a position that needs to be kept under review. The increased flexibility on the use of capital receipts allows the authority to use these to support transformation projects and therefore provides capacity that would previously have to be funded from earmarked reserves.

19.12 Despite budgets being calculated on most likely estimates, not the best estimates basis, the budget contains significant challenges in terms of efficiencies delivery as well as demand led pressures. The Council has set plans to deliver efficiencies of £28m. Whilst the financial environment remains volatile I believe that the budget takes account of that environment and is therefore prudent for the 2019/20 financial period.

19.13 Clearly delivering against a budget with a significant amount of savings whilst coping with an increased population driving further pressures on services is demanding and there has been overspends in social care each year since 2010. Despite this the council has managed to maintain balances at an appropriate level. This remains challenging and this outcome is only achieved through the constant focus of the organisation’s officers and the leadership of its Members.

19.14 HRA reserves are currently at their target of 3% and expected to remain at that level in the medium term in line with the financial strategy.

19.15 Table 25 shows the schools reserves position.

Table 25 Reserves (Schools)

Reserves	Balances as at 31/03/18 £m	Estimated 31/3/19 £m
Local Maintained School balances	2.407	0.750
	2.407	**0.750**

19.16 The Council does not currently set or control balance levels for Schools although it is open to local authorities to amend these with the agreement of their Schools Forum. Croydon's Schools Forum has agreed a threshold level of balances for schools, which are 4% of annual expenditure for secondary schools and 6% for primary schools. If maintained schools have balances greater than these sums and do not have plans meeting approved criteria that explain the reasons for additional balances, the additional balances may be redistributed between Croydon's maintained schools.

19.17 The Section 151 officer has a responsibility to ensure Croydon's maintained schools have sound financial management. Where a school has set a deficit budget (one where anticipated expenditure will exceed anticipated income), or is heading towards a deficit position in year, the Section 151 officer requires the school to submit a pro forma, setting out their action plan to show how the deficit position will be managed. The pro forma is signed by the School Governors and submitted to the Section 151 officer for agreement. We are currently working with a number of schools on their deficit position and recovery plans.

20. Summary and Conclusions

20.1 As all Members are aware, setting a budget for 2019/20 that is robust, balanced and deliverable has been challenging and has involved a number of difficult decisions for the Council. The Council faces increasingly challenging choices over the medium term period within the context of its own funding position, the national economy and the level of funding available to the public sector as a whole.

20.2 This budget report is based on the current financial outturn projections for 2018/19. If any of the projections change significantly, this will have to be taken account of in setting the budgets for future years.

20.3 **Appendix D and E contains the legally required recommendations to Council for setting the budget and Council Tax for 2019/20.**

21. FINANCIAL CONSIDERATIONS

21.1 The report contains the financial implications of the options to deliver a balanced budget for 2019/20 and the draft capital programme for 2019/22.

22.0 LEGAL CONSIDERATIONS

Budget and Council Tax Setting

22.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the Council is under a statutory duty to set a balanced budget. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates made for the purposes of calculating the Council Tax and the adequacy of reserves both of which are contained within this report. The Council is required to set the amount of the Council Tax before 11th March 2019 but it may not be set before the GLA has issued the precept.

22.2 The Local Government Finance Act 1992 (as amended), requires the Council as billing authority to determine whether its relevant basic amount of council tax for a financial year is excessive. If it is excessive then there is a duty under s.52ZF - s.52ZI to hold a referendum.

22.3 Determining whether the Council Tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State and approved by a resolution of the House of Commons. The Thresholds for 2019-20 were published on 29 January 2019 and provide that local authorities with responsibility for social care, such as Croydon, must hold a referendum if council tax is to be increased by 5% or more. Council tax for general spending requires a referendum if it rises by 3% or more, alongside a maximum 2% ‘social care precept’. The setting of the social care precept must not exceed a rise of 6% over three years. The ‘adult social care precept’ is technically not a ‘precept’ but additional headroom within the referendum regime for selected local authorities. The expressed intention is that local authorities would then be able to raise council tax by a total of 6% over and above the “standard” threshold of 2% by 2019/20. As Croydon raised the social care precept by 3% in 2017/18 and 2% in 2018/19 there is only a remaining 1% for the upcoming financial year of 2019/20.

22.4 The procedure followed in developing the budget proposals as detailed in the report meets the requirements of the Budget and Policy Framework Procedure Rules provided in Part 4.C of the Council’s Constitution.

22.5 When considering the budget proposals the Cabinet and Council will be mindful of their fiduciary duty to ensure that the Council’s resources are used in a prudent and proportionate manner. Members are required to have regard to their statutory duties whilst bearing in mind the requirement to act reasonably when taking in to account the interests of the Council Tax payers and Croydon’s communities.

22.6 To deliver some of the budget proposals action may be required which should be undertaken in accordance with statutory requirements including any legal requirements for consultation and equality impact assessments. Members will be aware of the requirement to consider the Council’s obligations under the Equality Act 2010.

Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer

23. HUMAN RESOURCES IMPACT

23.1 The implementation of the efficiency and cuts programme will in a number of instances necessitate a change of structure and skill mix of staff and/or change of working practices. Where a redundancy is being ‘contemplated’ the unions must be informed. If subsequently a redundancy is actually ‘proposed’ then the employer is immediately obliged to consult with the unions and staff for a minimum statutory period before any decisions and formal notification of redundancy is issued. The organisation will take these considerations into account in planning for the implementation of any structural reform.

23.2 Where restructures or transfers are proposed the Council’s existing policies and procedures must be observed.

Pay Policy Statement

23.3 The Council aims to ensure that its remuneration packages are fair, equitable and transparent and offer suitable reward for the employment of high quality staff with the necessary skills and experience to deliver high quality services.

23.4 Under section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit”. In accordance with Section 38 of the Localism Act, this Pay Policy Statement sets out the Council’s policy for 2019/20 on:

23.4.1 The remuneration of its senior staff including chief officers

23.4.2 The remuneration of its lowest paid employees

23.4.3 The relationship between the remuneration of its senior staff, including chief officers, and the remuneration of staff who are not chief officers

23.5 The pay policy statement is at **Appendix H**. The Council are required to approve the pay policy on an annual basis and therefore this will be considered as part of the budget decision of the Council on the 4th March 2019.

Approved by: Sue Moorman – Director of Human Resources

24 EQUALITIES CONSIDERATIONS

24.1 The Equality Act, 2010, also requires the Council to have due regard to the three aims of the Public Sector Equality Duty (the Equality Duty) in designing policies and planning / delivering services. In reality, this is particularly important when taking decisions on service changes. The three aims of the Equality Duty are to;-

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity; and
- Foster good community relations between people who share any of

the defined Protected Characteristics and those who do not.

24.2 The Act lists nine Protected Characteristics as age, disability, race, religion or belief, sex (gender), sexual orientation, gender reassignment, marriage and civil partnership and pregnancy and maternity. However, it is highly unlikely that these “protected characteristics” will all be of relevance in all circumstances.

24.3 Whilst the council must have due regard to the Equality Duty when taking decisions, there is a recognition that local authorities have a legal duty to set a balanced budget and that council resources are being reduced by central government. However, where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. This means that the adverse impact must be explained as part of the formal decision making process and attempts to mitigate the harm need to be explored. If the harm cannot be avoided, the decision maker must balance the detrimental impact against the strength of legitimate public need to pursue the service change to deliver savings.

24.4 In developing its detailed budget proposals for 2019/20 the Council aims to achieve best practice in equality and inclusion. The Council recognises that it has to make difficult decisions in order to reduce its overall expenditure to meet Government cuts in grant funding and to deliver a balanced budget while at the same time ensuring that it is able to respond positively to increases in demand for essential services. In doing so it will endeavour to ensure that it best meets the specific needs of all residents, including those groups that share a “protected characteristic”.

24.5 Through its budget proposals, the Council will also seek to identify opportunities to improve services and the quality of life for all Croydon residents while minimising any adverse impacts of decisions, particularly in regard to groups that share protected characteristics. It will be guided by the broad principles of equality and inclusion and will carry out and publish equality impact assessments to secure delivery of that duty, including such consultation as required.

24.6 An equality analysis has been completed in respect of the overall Council Tax increase which will apply to all households in the borough. While this increase is relatively modest it will nonetheless impact on those on low and fixed incomes and in particular those that may have been adversely affected by changes to the benefit system and who do not qualify for Council Tax Support. This segment of the population is more likely to live in the most deprived areas in the borough where there is a greater proportion of BAME residents. This has to be balanced against the additional amount raised through the Adult Social Care charge which will contribute to meeting the expected increase in demand for these services. This will benefit Croydon’s most vulnerable adults and families. In addition the Council will continue, through the Council Tax Support scheme to provide financial relief for vulnerable households including:

- Pensioners on low incomes.

- People that are in receipt of disability living allowance or employment support allowance.
- People that are in receipt of income support.
- Single parents with a child or children aged under five.

24.7 As part of the overall welfare support provided, customers having difficulties with their payments are also offered wider budgeting advice and support and help in finding work is also available where applicable through the Council's Gateway service. These provisions and the support available are highlighted in the customer's Council Tax bills.

24.8 In respect of specific proposals as outlined in Appendix A may result in new policies or policy or service changes an equality analysis will inform the final proposal and its implementation and will be available at the time of decision.

Approved By Yvonne Okiyo, Equalities Manager

25. ENVIRONMENTAL IMPACT

25.1 There are no direct environmental considerations arising from this report.

26. CRIME AND DISORDER REDUCTION IMPACT

26.1 There are no savings which should impact upon this Corporate Priority.

27. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

27.1 The council has a duty to set a balanced budget and therefore the proposals set out in the report achieve this duty.

28. OPTIONS CONSIDERED AND REJECTED

28.1 Various other options were considered in terms of council tax levels, investments and savings. These are ultimately decisions of policy and political choice.

REPORT AUTHOR AND CONTACT:	Lisa Taylor, Director of Finance, Investment and Risk, Section 151 Officer.
BACKGROUND DOCUMENTS:	none

APPENDICES:
Appendix A – Revenue savings and growth options
Appendix B – Detailed Budget Book
Appendix C – Summary of Revenue Estimates
Appendix D – Budget Requirement and Council Tax
Appendix E – Council Tax Recommendations
Appendix F – Response to draft Local Government Settlement

Appendix G – Dedicated Schools Grant
Appendix H – Pay Policy Statement
Appendix I – Rating (Property in Common Occupation) and Council Tax (Empty Dwellings)
Appendix J – Adult Social Care Charging
Appendix K – Response to the Fair Funding Review Consultation
Appendix L – Response to the Business Rates Consultation

Children, Families and Education Department Budget Options

Director	Division	Description	Growth/ (Saving)	FTE	2019/20 (£m)
Nick Pendry	Early Help and Childrens Social Care	Increased demand in non-UASC Looked After Children placement	Growth	0.00	3.274
Nick Pendry	Early Help and Childrens Social Care	Increased core staff (currently funded by transformation)	Growth	31.00	3.703
Nick Pendry	Early Help and Childrens Social Care	Increase in UASC costs not funded by the Home Office	Growth	0.00	2.682
Nick Pendry	Early Help and Childrens Social Care	Additional Business Support Resources	Growth	11.00	0.389
Nick Pendry	Early Help and Childrens Social Care	Increased demand in commissioning contracts to improve service	Growth	0.00	0.819
Nick Pendry	Early Help and Childrens Social Care	Increase demand in relation to financial assistance required to promote safeguarding of children and their welfare	Growth	0.00	0.733
Nick Pendry	Early Help and Childrens Social Care	Increased base (for areas previously anticipated as savings)	Growth	0.00	0.400
Nick Pendry	Early Help and Childrens Social Care	Placement savings following review and recommissioning	Savings	0.00	(1.000)
		Total		**42.00**	**11.000**

Appendix A - Cabinet 25th February 2019

Health, Wellbeing and Adults Department Budget Options

Director	Division	Description	Growth/ (Saving)	FTE Impact	2019/20 (£m)
Annette McPartland	Adults and All Age Disability	Workforce reform and transformation. Creating a permanent workforce with less agency cover and costs, reducing management costs and creating more holistic team structures around our residents.	Saving	tbc	(1.000)
Annette McPartland	Adults and All Age Disability	All age disability day opportunities - Reconfiguring our offer to people, enhancing life and well-being opportunities through more efficient use of our contracts.	Saving	0.00	(0.100)
Annette McPartland	Adults and All Age Disability	25-65 disability transformation - creating efficiency through better outcomes for people reducing expensive care packages	Saving	0.00	(1.500)
Annette McPartland	Adults and All Age Disability	Mental Health Transformation - Creating efficiency through better outcomes for people reducing expensive care packages.	Saving	0.00	(0.100)
Annette McPartland	Adults and All Age Disability	One Croydon Alliance - Managing the increased demand through better partnership working within the Alliance.	Saving	0.00	(2.445)
Annette McPartland	Adults and All Age Disability	Charging Policy	Saving	0.00	(3.200)
Annette McPartland	Adults and All Age Disability	25-65 Disability Demand - Forecast growth in demand for care and support.	Growth	0.00	4.000
Annette McPartland	Adults and All Age Disability	Mental health Demand - Forecast growth in demand for care and support.	Growth	0.00	0.738
Annette McPartland	Adults and All Age Disability	CWD - service growth - To accommodate current increase in demand and high case loads	Growth	0.00	3.000
Annette McPartland	Adults and All Age Disability	Council contribution to the wider One Croydon Partnership Alliance	Growth	0.00	2.483
		Total		**0.00**	**1.876**

Appendix A - Cabinet 25th February 2019

Gateway, Strategy and Engagement Department Budget Options

Director / HOS	Division	Description	Growth/ (Saving)	FTE	2019/20 (£m)
Julia Pitt	Gateway Service	Implement the Community Resources Team from being a pilot into a permanent team	Growth	4.00	0.200
Julia Pitt	Enablement and Welfare	Employment Support Service	Growth	9.00	0.329
Julia Pitt	Enablement and Welfare	Personal Budgeting Support Team	Growth	TBC	0.157
Julia Pitt	Enablement and Welfare	Adult Social Care Financial Assessment Team to respond to the New Operating Model with a view to maximising income	Growth	TBC	0.388
Julia Pitt	Enablement and Welfare	Increase staffing numbers in the No Recourse to Public Funds Service	Growth	TBC	0.233
Julia Pitt	Enablement and Welfare	Expanded and Permanent Gateway Link Team	Growth	11.00	1.415
Julia Pitt	Enablement and Welfare	Increased requirement for concessionary fares	Growth	0.00	0.066
Julia Pitt	Gateway Service	Savings in adults social care and children's delivered by gateway	Savings	0.00	(2.500)
Helen Parrot	Policy and Partnership	Your Croydon	Growth	0.00	0.050
Yvonne Murray	Housing Needs	Increased team capacity and incentive payments	Growth	5.00	0.500
		Total		**29.00**	**0.838**

PLACE DEPARTMENT BUDGET OPTIONS

Director	Division	Description	Growth/ (Saving)	FTE Impact	2019/20 (£m) Revised
Steve Iles	Leisure	Re-procurement of Leisure Services Contract	Saving	0.00	(0.100)
Steve Iles	Leisure	Increasing income from parks events	Saving	0.00	(0.050)
Steve Iles	Streets	Waste Minimisation Project (landfill) - as a result of the new reduction in residual waste bin sizes	Saving	0.00	(1.000)
Steve Iles	Streets	Street lighting Energy Costs	Growth	0.00	0.700
Steve Iles	Streets	Grounds Maintenance costs - improved service	Growth	0.00	1.000
Steve Iles	Parking	Increase - On street Pay & Display charges	Saving	0.00	(1.925)
Steve Iles	Parking	increase - Penalty Charge Notice Income	Saving	0.00	(2.198)
Steve Iles	Parking	Increased - Permit Income	Saving	0.00	(0.377)
Heather Cheesbrough	Development Control	Increased Planning and Building Control Income,and supplies and services savings in the Directorate	Saving	0.00	(0.051)
Emma Lindsell	Economic Growth	Coast to Capital and South London Partnership subscriptions	Growth		0.100
Paula Murray	Culture	Increased Contribution from partners to cultural activities	Saving	0.00	(0.025)
All	All	Reduction in various budgets (including contractors, consultancy, memberships and training)	Saving	0.00	(0.020)
Steve Iles	Public Realm	SEN Transport	Growth	0.00	1.500
Shifa Mustafa	Place	Brick By Brick Dividend	Saving	0.00	(2.200)
		TOTAL		**0.00**	**(4.646)**

RESOURCES DEPARTMENT BUDGET OPTIONS

Director	Division	Description	FTE	Growth/ (Saving)	2019/20 (£m)
Mark Norrell	FM and Support Services	Further automation and self serve for business support services.	TBC	Saving	(0.235)
Mark Norrell	FM and Support Services	Reduced frequency of cleaning across corporate estate including windows and general cleaning.	0.00	Saving	(0.140)
Mark Norrell	FM and Support Services	Various Directorate Savings including restructure of Sustainable Energy Team, commercial FM trading to schools and FM savings from reduction in office accommodation.	TBC	Saving	(0.151)
Mark Norrell	FM and Support Services	Income from investment properties	0.00	Saving	(2.500)
Mark Norrell	FM and Support Services	Management of estate - including surrendering leases, lettings and different use of assets.	0.00	Saving	(0.628)
Lisa Taylor	Finance , Investment and Risk	Efficiencies in revenues and benefit services, including complaints and training	0.00	Saving	(0.119)
Lisa Taylor	Finance , Investment and Risk	Full year effect of previous staff rationalisations	0.00	Saving	(0.077)
Lisa Taylor	Finance , Investment and Risk	Savings on external auditor, grant validation costs and internal audit through new contracts	0.00	Saving	(0.049)
Lisa Taylor	Finance , Investment and Risk	Reduced pension deficit contribution as a result of the asset transfer to the pension fund	0.00	Saving	(3.500)
Neil Williams	Digital and ICT	Savings from ongoing review and renewal of systems and software contracts	0.00	Saving	(0.100)
Jacqueline Harris Baker	Legal	Improved demand management for external legal services	0.00	Saving	(0.200)
Jacqueline Harris Baker	Legal	Reshaping election services	0.00	Saving	(0.037)
Sue Moorman	Human Resources	Review of HR model	1.00	Saving	(0.067)
Sarah Warman	Commissioning and Procurement	Additional Income from trading - equipment services	0.00	Saving	(0.250)
		Total	**1.00**		**(8.053)**

SUMMARY OF REVENUE ESTIMATES - FINANCIAL STRATEGY PLANNING MODEL

SERVICE DEPARTMENT	2019/20 Budget £'m	Estimated 2020/21 Budget £'m	Estimated 2021/22 Budget £'m
Health, Wellbeing and Adults	109.404	117.204	118.504
Children, Families and Education	83.800	87.600	88.400
Place	93.400	95.600	96.400
Gateway, Strategy & Engagement	35.733	36.533	36.933
Resources	7.160	8.960	9.360
Corporate Items	7.602	8.602	8.602
NET EXPENDITURE	**337.099**	**354.499**	**358.199**
Contribution to provisions for Doubtful Debts	0.180	0.180	0.180
Interest (Net)	11.736	16.636	21.536
Deferred Charges	(3.692)	(3.692)	(3.692)
Revenue Expenditure Funded by Capital Under Statute (REFCUS)	(30.806)	(30.806)	(30.806)
Capital Asset Charges Adjustment	(19.646)	(19.646)	(19.646)
Contingency	2.000	2.000	2.000
Core Grants	(33.430)	(32.730)	(31.830)
Levies	1.424	1.424	1.424
Contribution to / (from) General Balances	5.500		
Budget Gap Carried Forward	0.000	0.000	0.000
Budget Gap	0.000	(12.428)	(7.728)
TOTAL ADJUSTED BUDGET REQUIREMENT	**270.365**	**275.437**	**289.637**
Financed by:			
Revenue Support Grant	0.000	0.000	0.000
Business Rates Top Up Grant	24.017	23.017	22.017
Business Rates Income	59.760	58.160	59.960
Collection Fund Surplus/Deficit	6.560	4.060	7.060
Croydon Tax Element	**180.028**	**190.200**	**200.600**
Greater London Authority Precept Element	41.324	41.324	41.324
TOTAL COUNCIL TAX REQUIREMENT	**221.352**	**231.524**	**241.924**

Appendix D
Cabinet 25th February 2019

COUNCIL TAX INCREASES

Band	2018/19 Croydon Council Tax £	2018/19 Croydon Adult Social Care Precept £	2018/19 Croydon Tax £	2018/19 GLA Precept Draft £	2018/19 Overall Tax £
A	838.12	57.03	895.15	196.15	1,091.30
B	977.81	66.54	1,044.35	228.85	1,273.20
C	1,117.49	76.04	1,193.53	261.54	1,455.07
D	**1,257.18**	**85.55**	**1,342.73**	**294.23**	**1,636.96**
E	1,536.55	104.56	1,641.11	359.61	2,000.72
F	1,815.93	123.57	1,939.50	425.00	2,364.50
G	2,095.30	142.58	2,237.88	490.38	2,728.26
H	2,514.36	171.10	2,685.46	588.46	3,273.92

2019/20 Croydon Council Tax £	2019/20 Croydon Adult Social Care Precept £	2019/20 Croydon Tax £	2019/20 GLA Precept Draft £	2019/20 Overall Tax £
864.89	65.99	930.88	213.67	1,144.55
1,009.03	76.98	1,086.01	249.29	1,335.30
1,153.18	87.98	1,241.16	284.90	1,526.06
1,297.33	**98.98**	**1,396.31**	**320.51**	**1,716.82**
1,585.63	120.98	1,706.61	391.73	2,098.34
1,873.92	142.97	2,016.89	462.96	2,479.85
2,162.22	164.97	2,327.19	534.18	2,861.37
2,594.66	197.96	2,792.62	641.02	3,433.64

Band D % Change				
Croydon Council Tax	**Croydon Adult Social Care Precept**	**GLA Precept**	**Overall Increase**	
2.99%	1.00%	8.93%	4.88%	
40.15	13.43	26.28	79.86	Per Annum
£0.77	£0.26	£0.51	£1.54	Per Week

2019/20 BAND	Annual increase £	Weekly Increase £
A	53.25	1.02
B	62.10	1.19
C	70.99	1.37
D	79.86	1.54
E	97.62	1.88
F	115.35	2.22
G	133.11	2.56
H	159.72	3.07

OVERALL CHANGE
4.88%

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Appendix E
Cabinet 25th February 2019

RECOMMENDATIONS FOR COUNCIL TAX REQUIREMENT 2019/20

The Cabinet has considered a report in respect of the level of Council Tax for 2019/20 and the setting of the Council's Revenue and Capital Budgets for the forthcoming financial year. The Cabinet also had copies of the draft Budget Book for 2019/20.

In summary, the Cabinet recommends to the Council a 2019/20 Council Tax at Band D for Croydon purposes of £1,297.33, in addition a 1.0% increase for the Adult Social Care Levy £98.98, GLA Precept of £320.51, giving an overall Band D charge, £1,716.82, a 2.99% increase for Croydon Council, a 1.0% increase for the adult social care levy and a 8.93% increase for the GLA.

Following detailed consideration, the Cabinet recommends that the Council should:

(1) Approve the 2019/20 Revenue Budget of £270.365m, an increase in budget requirement of 1.1%

(2) Approve the 2019/20 Council Tax Requirement of £180.028m.

Calculation of Council Tax Requirement		**£'000**	**£'000**	**£'000**
(A)	Expenditure and other charges (as set out in section 31A(2) (a) to (f) of the Act)			
(i)	expenditure on Croydon's services, local precepts and levies		950,576	
(ii)	allowance for contingencies		2,000	
(iii)	transfer to General Reserves			
(iv)	transfer to Earmarked Reserves		5,500	
(v)	transfer from the General Fund from the Collection Fund in respect of prior year deficit on the Collection Fund,		0	
				958,076
	Less			
(B)	Income and other credit items (in Section 31A(3) (a) to (d) of the Act)			
(i)	Income from services		654,281	
(ii)	Transfer to the General Fund from the Collection Fund in respect of prior year surplus on the Collection Fund,		6,560	
(iii)	Income from Government			
	Core Grants	33,430		
	Business Rates Top Up Grant	24,017		
	Business Rates Income	59,760		
	Revenue Support Grant	0		
			117,207	778,048
	Equals			
(C)	The Council Tax Requirement, i.e. the amount by which the expenditure and other charges exceed the income and other credits.* This is (A) above less(B) above (as per Section 31A(4) of the Act)			180,028
Calculation of basic amount of council tax				
(C)	Council Tax Requirement			180,028
	Divided by			
(D)	The Council's Tax base			128,931
	Equals			
(E)	The Basic amount of Council Tax (i.e., the Council Tax for a Band D property to which no relief or exemption is applicable) for services charged to Croydon's General Fund (This is (C) above divided by the tax base at (D) as per Section 31(B) of the Act)			1,396.31

*** The exact figure is** **£180,027,644.61**

(F) The tax for different bands calculated as follows (as per Section 36(1) of the Act):

Council Tax for Croydon for 2019/20	
Band A	6/9 x £1,396.31 = £930.88
Band B	7/9 x £1,396.31 = £1,086.01
Band C	8/9 x £1,396.31 = £1,241.16
Band D	**9/9 x £1,396.31 = £1,396.31**
Band E	11/9 x £1,396.31 = £1,706.61
Band F	13/9 x £1,396.31 = £2,016.89
Band G	15/9 x £1,396.31 = £2,327.19
Band H	18/9 x £1,396.31 = £2,792.62

(G) to which is added the following precept (issued by the Mayor of London, in exercise of the powers conferred on him by sections 82, 83, 85, 86, 88 to 90, 92 and 93 of the Greater London Authority Act 1999 ("the 1999 Act") and sections 40, 47 and 48 of the Local Government Finance Act 1992 ("1992 Act")

GLA Precept for 2019/20	
Band A	213.67
Band B	249.29
Band C	284.90
Band D	**320.51**
Band E	391.73
Band F	462.96
Band G	534.18
Band H	641.02

(H) That, having calculated the aggregate in each case of the amounts at (F) and (G) above the Council, in accordance with section 30(2) of the local government finance act 1992, hereby set the following amounts as the amounts of council tax for the year 2019/20 for each of the categories of dwellings shown below:-

Total Council Tax For 2019/20	
Band A	1,144.55
Band B	1,335.30
Band C	1,526.06
Band D	**1,716.82**
Band E	2,098.34
Band F	2,479.85
Band G	2,861.37
Band H	3,433.64

Appendix F

CROYDON
www.croydon.gov.uk

Resources Department
7th Floor, Zone D
Bernard Weatherill House
Mint Walk
Croydon CR0 1EA

Email: richard.simpson@croydon.gov.uk
Website: www.croydon.gov.uk

Our Ref: RS/MG/056
Date: 10th January 2019

Response from Croydon Council to the Provisional 2019/20 local government finance settlement.

Croydon Council welcomes the opportunity to respond to the Government’s consultation on the Provisional Local Government Finance Settlement 2019/20.

We welcome the additional funding that has been confirmed as part of the provisional settlement and would urge the Government to be clearer on publishing the evidence based used to justify the distribution of this additional funding.

We continue to be extremely concerned about the level of funding for local government and the increasing pressures we are facing, notably in the areas of Adults and Children’s Social care, Homelessness and Housing Need. We would therefore urge the Government to increase the additional funding for local government, with particular regarding to those authorities such as ours who have been Universal Credit pilots. We look forward to this being properly addressed in the spending review later this year.

We continue to be concerned about the impact of cuts or lack of adequate growth in other government funding streams, such as Public Health and Dedicated Schools Grant and the pressure that puts on the Council’s core funding. In addition, the continued failure to fully fund Croydon for Unaccompanied Asylum Seeking Children puts an additional burden on this authority.

We also continue to be extremely concerned that there has been no recognition of population growth in the current funding allocations and with the increasing population in Croydon this has had a significant impact on our budget.

We are again concerned about the timing of the settlement and ask that consideration in the future is given to an early publication to help with financial planning.

We look forward to having input in to the spending review taking place later this year.

Question 1: Do you agree with the methodology for allocating Revenue Support Grant in 2019/20?

Croydon Council agrees with the proposed methodology for allocating Revenue Support Grant in 2019/19, this is on the basis of consistency with the previous three years. It seems sensible that central funding should be allocated in a way that ensures councils delivering the same set of services receive the same percentage change in Settlement Core Funding for those sets of services.

We believe that there should be much greater transparency around how the overall level of RSG has been determined and that the Government should publish a full breakdown showing how all funding made available to local government.

Question 2: Do you agree with the Government's proposed approach to allocating £410 million un-ringfenced funding for adult and children's social care according to the existing Adult Social Care Relative Needs Formula?

No. We believe this funding should be distributed using a combination of the adult social care Relative Needs Formula and the children's social care Relative Needs Formula. As the intention of the funding is to alleviate pressures in both adult and children's social care, we feel its distribution should reflect relative levels of needs in both services. We are concerned and disappointed that the Government has chosen not to use the children's social care Relative Needs Formula.

Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2019/20 with the planned £900 million from Revenue Support Grant, with any additional funding being secured from departmental budgets?

We welcome the decision not to go ahead with the proposed changes to New Homes Bonus.

We are concerned about the continuing reduction in the Government's contribution to the New Homes Bonus especially in the light of the increasing need for housing and the need to grow services in advance of new housing.

Question 4: Do you agree with the Government's proposed approach to paying £81 million Rural Services Delivery Grant in 2019/20 to the upper quartile of local authorities based on the super-sparsity indicator?

Croydon Council disagrees with the additional funding provided to rural areas, as this is redirecting funding away from other areas. The Rural Services Delivery Grant has increased by a further £16 million in 2019/20. We would have preferred to see this separate grant could being distributed to all local authorities on the basis of need.

Question 5: The Government intends to distribute £180m of the levy account surplus. Do you agree with the proposal to make this distribution on the basis of each authority's 2013/14 Settlement Funding Assessment?

We do believe that the surplus on the business rates levy account is rightly being returned to local government. We agree with its distribution based on 2013-14 SFA, as this is consistent with the method used to top-slice the Revenue Support Grant in previous years to fund the Safety Net account when the levy account was in deficit.

Question 6: What are your views on the council tax referendum principles proposed by the Government for 2019/20?

We are opposed to the principle of capping council tax increases, which represents central government control over the only locally determined tax.

The Government's preference to assign a notional average rate to all authorities raises some fundamental issues such as how areas that have historically set low tax rates would be able, in effect, to "catch up" to a notional rate.

We would prefer that the referendum limit be lifted completely, allowing councils to address spending pressures in the ways that most affect them locally.

We also feel that the Adult Social Care Precept represents unnecessary central government control over local policy-making. We also feel that this is a national responsibility being funded by local taxation.

Question 7: What are your views on the Government's approach to tariffs and top-ups in 2019/20?

Croydon Council broadly agrees with the principle behind the adjustment to top-ups and tariffs ensuring that, as far as possible, business rates income does not change solely as a result of the revaluation.

We believe that the methodology should be kept under close review to ensure that any other distortions besides appeals that result from the use of a single year of business rates income do not unfairly penalise any authority.

Question 8: Do you have any comments on the impact of the 2019/20 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.

No.

Yours sincerely

Richard Simpson
Executive Director Resources and S151 Officer

DEDICATED SCHOOLS GRANT (DSG)

Table 1 – 2019/20 DSG Funding Breakdown

DSG Funding Blocks	**Total (£m)**
Schools Block (before recoupment)	247.51
Early Years	26.69
High Needs (before recoupment)	61.35
Central Services Schools Block	6.12
Total DSG funded services	**341.67**

2019/20 DSG allocation for Croydon

In 2019/20 the total DSG settlement for Croydon (including academies) is £341.67m. Academy recoupment is estimated to be in excess of £166m in 2019/20, reducing the DSG total to £175.12m. Academy recoupment currently stands at £166.55m in 2018/19 within the existing Schools and High Needs block**.** This total will be subject to change depending on the number of new schools that convert to academies during the year.

The funding per pupil as a result of the introduction of the National Funding Formula (NFF) stipulates a minimum funding rate. From 2018/19 the NFF provides two per pupil funding rates, one for primary pupils and one for secondary pupils. In 2019/20, the respective funding rates are £4,293.34 and £5,460.88 an increase from the 2018/19 rates per pupil of £4,238.50 for primary pupils and £5,317.93 for secondary pupils.

The latest pupil numbers used to calculate the DSG funding are 51,037 for the Schools block and 8,759 (part time equivalent two to four year olds) within Early Years. These numbers are based on the October 2018 Pupil Level Annual School Census (PLASC) count, although the Early Years Census in January 2019 will be used to update Croydon’s DSG allocation with more accurate Early Years pupil numbers during 2019/20.

The £26.69m shown above for the Early Years block includes an indicative Early Years pupil premium of £0.132m, the same allocation as 2018/19.

Croydon Council

Pay Policy Statement 2019-2020

1. Introduction

1.1. The Council aims to ensure that its remuneration packages are fair, equitable and transparent and offer suitable reward for the employment of high quality staff with the necessary skills and experience to deliver high quality services.

1.2. Under section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit". In accordance with Section 38 of the Localism Act, this Pay Policy Statement sets out the Council's policy for 2019-20 on:

- The remuneration of its senior staff including Chief Officers
- The remuneration of its lowest paid employees
- The relationship between the remuneration of its Chief Officers and the remuneration of staff who are not Chief Officers

1.3. Remuneration in this context is defined widely to include not just pay but also charges, fees, allowances, benefits in kind, increases in enhancements of pension entitlements and termination payments.

1.4. Following the decision of the Annual Council meeting on 03 June 2014, the Appointments Committee has delegated responsibility for approving appointments in accordance with the threshold specified in statutory guidance issued by the Secretary of State under section 40 of the Localism Act 2011. The statutory guidance is that elected Members should be given an opportunity to vote before a salary package upon appointment above a specified threshold is offered; and a severance package beyond a specified threshold is approved for staff leaving the Council's employment. For both these purposes, the specified threshold is currently £99,999 as set by Government.

1.5. Once approved, all remuneration paid to officers will comply with this policy for the 2019-20 financial year. The statement will be reviewed in accordance with legislation prevailing at the time.

1.6. The provisions of the Localism Act do not apply to schools that are excluded from this statement.

1.7. In accordance with Part 3 of the Constitution – Responsibilities for Functions the Chief Executive's Scheme of Authorisations provides delegated authority to the Director of Human Resources for pay and terms and conditions for staff other than the Chief Executive and employees covered by the Joint National Council for Chief Officers. Grading and conditions of service for these staff are approved by the Appointments Committee. Reference paragraph 4.2.8 and 4.2.9 of Part 3 of the Constitution Responsibilities for Functions – see extracts below:

“…..the Chief Executive’s delegation is subject to:

4.2.8 “the approval of the Director of Human Resources to the grading and conditions of service of staff (other than those based in schools or subject to the conditions of service of the Chief Officers and Chief Executives J.N.C

4.2.9 the approval of the Appointments Committee to grading and conditions of service of staff employed subject to the conditions of service of the Chief Officers and Chief Executives J.N.C”

2. Pay structure

2.1. The Council uses a combination of locally and nationally determined pay structures for its workforce.

a) The pay structures, including basic pay, for the Chief Executive and Head of Paid Service, Executive Directors, Directors and posts at Croydon Special Range (CSR) level are determined locally.

b) The basic pay for teachers, youth workers, and young people/community service managers is in accordance with nationally negotiated pay structures.

c) To reflect market and industry specific factors, staff in the in-house bailiff service have locally determined pay arrangements which includes an element of performance pay.

d) For the majority of other staff, the Council uses a locally determined grading structure aligned to the relevant London pay spine of the Greater London Provincial Council.

2.2. Pay allowances other than basic pay are the subject of local or nationally negotiated rates having been determined from time to time in accordance with the collective bargaining arrangements and/or as determined by the Council.

2.3. Other than for the Chief Executive and Head of Paid Service, Executive Directors and Directors, the Council adheres to national pay bargaining and will normally apply a nationally negotiated cost of living pay award for staff covered by the relevant negotiating body.

3. Remuneration

3.1. For the purpose of this pay policy statement, Chief Officers include:

a) Tier 1: The Chief Executive and Head of Paid Service; Executive Directors; Directors; and
b) Tier 2: Heads of service and certain senior staff in Croydon Special Range graded posts who report to Directors

3.2. Current remuneration for tiers 1 and 2 staff are:

a) The Chief Executive and Head of Paid Service is paid a spot salary of £188,700, as agreed from 01 April 2018. The salary, which is subject to review every two years is due to remain at this level until 31 March 2020.

The 2% increase is well below inflation and below the increases expected by the rest of the workforce over the same period.

b) Executive Directors and Directors are paid on spot salaries as set out in Appendix A without provision for incremental progression. Salaries are subject to review every two years with the last review being 01 April 2017. Salaries are agreed to be increased by 2%, effective from 01 April 2019.

c) Heads of service and senior staff reporting to Directors are placed on a salary following evaluation of their post using the Hay job evaluation scheme (for CSR graded posts) or the Greater London Provincial Council job evaluation schemes (for posts graded 16 and 17) with provision for incremental progression to the top spinal point of the grade. Salaries are reviewed in line with national and regional pay awards.

The grading structures for tiers 1 and 2 are shown in Appendix A.

3.3. The pay of the Chief Executive and Head of Paid Service is determined on appointment with reference to market rates. In establishing market rates, the Council will compare remuneration data from other comparable local authorities. This allows closer benchmarking where possible to take account of factors such as population size, social demographics, budgetary responsibilities, economic and regeneration activity.

3.4. Subject to the approval of the Appointments Committee referred to in paragraph 1.4 above, salaries of Executive Directors and Directors may be reviewed earlier than the scheduled review date when appointing to a post or to maintain parity with the salary of a related post being recruited to (see paragraph 3.8 for the remuneration for new appointments).

Additional remuneration elements

3.5. The Council does not apply any bonuses or performance payments to its Tier 1 or Tier 2 staff. In addition to basic pay elements of “additional pay”, other than those that constitute re-imbursement of expenses incurred during the fulfilment of duties, are set out below:

a) In order to recruit or retain employees in a post at its designated grade or spot point consideration will be given to the use of market supplements as approved by the Director of Human Resources and Chief Executive with such payments being subject to periodic review. Market supplements will, when added to basic pay, not normally exceed 10% of base pay and in any event for posts in tier 1 will not exceed the next pay reference point. Any market supplement for the Chief Executive will be determined by the Appointments Committee.

b) A compulsory car allowance may be made to authorised car users at all levels of the workforce other than to Tier 1. The compulsory car allowance applies to employees where driving a car is an integral feature of the employee’s post and the employee is unable to carry out their post without providing and using their own car. The amount of the allowance depends

3.9. on the engine size and emissions of the employee's car as shown in Appendix A.

c) Returning Officer fees: the Council is required by the Representation of the People Act 1983 to appoint an officer to act as the Electoral Registration Officer (ERO) for any constituency or part of a constituency within its area to be responsible for the preparation and maintenance of the electoral register and to act as the Returning Officer (RO) for all elections. Such duties attract a fee payable to the individual, paid for by the Government except in relation to local elections. The fees are set by central government for national elections and referenda and for local elections fees are prescribed by and agreed on an annual basis by the Chief Executives' London Committee, which reports into the London Councils network. The Council's Electoral Registration Officer and Returning Officer is the Chief Executive and Head of Paid Service, as agreed by resolution of the Council or as delegated to a committee.

In her capacity as the Council's Electoral Registration Officer and the Council's Returning Officer, the Chief Executive and Head of Paid Service may appoint deputy Electoral Registration Officers and a deputy Returning Officer. Fees for carrying out such duties are payable to appointed individuals.

d) From time to time consideration will be given to making additional payments, as approved by the Director of Human Resources, to Chief Officers who undertake additional and/or higher level responsibilities for example when covering the duties of a vacant Chief Officer post. Such payments are subject to periodic review.

Remuneration on appointment

3.6. Where employees are appointed to a grade rather than a spot salary, it is the Council's policy to appoint all employees on the bottom spinal point of the grade unless there are exceptional circumstances as authorised by the relevant Director and approved by the Director of Human Resources.

3.7. In exceptional circumstances and subject to approval of the Director of Human Resources, where it is necessary for a newly appointed employee to relocate and move home to take up appointment a contribution towards certain relocation expenses may be made. A copy of the scheme, is attached as Appendix B.

3.8. New Executive Director and Director appointments will be made at the salaries stated for the respective post as set out in Appendix A. Should it be deemed necessary for a new appointment to be made on a salary higher than that set out for the post in Appendix A and the new salary exceeds the threshold referred to in paragraph 1.4 above, the new salary will be subject to the approval of the Appointments Committee.

Redundancy payments and payments on leaving

3.9. The Council has a single redundancy scheme which applies to all employees including Chief Officers (see Appendix C). The Council does not make any other payments to employees on termination of their employment other than those, where there is a statutory or contractual requirement to do so, such as payment for accrued and untaken annual leave.

3.10. Subject to paragraph 1.4 above, in exceptional circumstances other severance payments may be made subject to agreement of the Chief Executive and Head of Paid Service and the Director of Human Resources and as allowed for in the Council's scheme of delegation. Such payment will take account of the Council's contractual and legal obligations, value for money, reputation of the Council and goodwill towards the employee.

3.11. The Appointments Committee has decided, in accordance with delegations agreed by Full Council, that it will consider only those future severance packages where there are non-contractual and/or non-statutory elements to the proposed severance package which would mean that the severance package exceeds the specified threshold as a result of those elements. In those instances, the Committee will vote in respect of the non-contractual and/or non-statutory elements of such packages. For these purposes the specified threshold set, from time to time, by statutory guidance, is £99,999.

<u>Re-employment of officers previously made redundant and retirement</u>

3.12. Where an officer who has previously been made redundant from the Council applies for employment with the Council, their application will be treated on its own merits, the financial merits and wider interests of the Council and will have regard to any agreement under which the officer left their previous employment. Where an officer leaves the Council's employment through voluntary severance or voluntary redundancy arrangements, they will not be allowed to work for the Council in any capacity, including engagement via employment agencies or as a consultant, for a period of at least one year after leaving.

3.13. At the time of drafting this pay policy statement, the Government is proposing legislation that will: limit exit payments to £95,000 in the public sector; and require public sector employees earning more £80,000 to repay some or all of an exit payment if they return to public sector employment within twelve months. The Council will seek recovery of exit payments from previous employees and in so doing apply limits to exit payments in accordance with the legislation as an when it is introduced.

3.14. The Council permits flexible retirement, as permitted by the Local Government Pension Scheme Regulations where by an employee can receive a salary and be in receipt of a pension for doing the same job. Flexible retirement will usually only be agreed where there is no cost to the Council. Exceptions to this will be based on the best interest of the Council and will be agreed by the Executive Director of Resources in consultation with the Director of HR, except where such a decision relates to either of themselves, when the Chief Executive will be consulted. Employees retiring before their normal retirement age will, therefore, usually receive what is known as an actuarial reduction in their pension as allowed for under the Local Government Pension Scheme Regulations, to reflect the financial impact on the pension fund by the employee's early retirement.

4. Remuneration of lowest paid employees

4.1. The definition of “lowest paid employee” is for local determination. The Council has agreed that the lowest paid employee will be those workers employed under a contract of employment on full-time equivalent hours, in accordance with the minimum grade of the Council’s agreed grading structure. Workers, such as apprentices, who are engaged on fixed term training contracts, are excluded from this definition.

4.2. The Council is a London Living Wage employer and will pay the London Living Wage as its minimum rate of pay to employees, other than those engaged specifically on apprentice or similar training contracts. The Council will apply increases in the London Living Wage with effect from the 01 April following announcement of the increase. With effect from 01 April 2019 the full-time equivalent annual pay of the lowest paid employee will £20,103 which equates to an hourly rate of pay of £10.74 (higher than the current London Living Wage).

5. The relationship between the pay of Chief Officers and that of other staff

5.1. The Council does not set the pay of individuals or groups of individuals by reference to a simple multiple of the pay of another individual or group. The use of simple pay multiples cannot capture the complexities and dynamics of a highly varied workforce. The Council sets pay as outlined above by reference to the evaluated level of responsibilities of the post or at a rate determined by a national pay body.

5.2. Although there is no requirement under the Localism Act, the Council has decided to publish its pay multiples to aid transparency and future benchmarking:

- The multiple for 2019-20 between the lowest paid employee and the chief executive and head of paid service is a ratio of 1:9.4.
- The multiple between the lowest paid employee and the median chief officer is a ratio of 1:5.4
- The multiple between the median pay and the chief executive and head of paid service’s pay is a ratio of 1:5.7.
- The multiple between the median pay and the average chief officers’ pay is a ratio of 1:3.5

5.3. As part of its overall and ongoing monitoring of alignment with external pay, both within and outside the sector, the Council will use available benchmarking information as appropriate.

6. Non-permanent staffing resources

6.1. To maintain flexibility in delivering services the Council supplements its employee workforce with workers who are not Council employees or on the Council payroll. This non-permanent resource includes consultants, who are procured under a Contract for (Consultancy) Services, and interims who are procured through the Councils managed service provider (the London Group Recruitment Partnership) or other approved third party providers including through the Council’s neutral vendor framework.

6.2. In managing its non-permanent staffing resource, the Council seeks to ensure that: the Council and the wider public sector achieve value for money; tax and national insurance liabilities are managed appropriately; and contractual relationships between the Council, workers and thirds parties are properly reflected. In this regard, it is the Council's policy not to engage directly with self-employed individuals, or wholly owned one person limited companies in all but the rarest of exceptions. Where such arrangements are used, the Council seeks to limit them to a maximum duration of 24 months.

6.3. Where it is necessary to engage a worker at Tier 1 or Tier 2 temporarily as an interim or consultant, the remuneration paid to the individual will generally fall within the following rates. The higher rates of pay, compared to those paid to directly employed staff, are in recompense of interims and consultants not receiving all of the same conditions of employment, most notably regarding leave, pension, redundancy and notice.

Grade of post	**Day rate range £ (payable to the individual)**
Croydon Special Range	£400 - £525
Director	£525 - £775
Executive Director	£775 - £900
Chief Executive	£1200 - £1500

7. Publication

7.1. Upon approval by the full Council this statement will be published on the Council's website. In addition, the Council's Annual Statement of Accounts will include a note setting out the remuneration paid to each member of the corporate leadership team (the Chief Executive and Head of Paid Service and those reporting directly to her) including the total amount paid to each individual by way of: salary, including fees and allowances; performance related pay; expense allowances; compensation for loss of office; benefits in kind and employers pension contributions. The Annual Statement of Accounts is published on the Council's website.

7.2. The Annual Statement of Accounts will also report on termination payments for all employees in keeping with international financial reporting standards. This will show the number of termination payments, within specific financial bands, made to employees during the year.

End

Appendix A

Pay structure for Tier 1 and Tier 2

Tier 1: 01 April 2019 to 31 March 2020

Post	Spot Salary
Chief Executive	£188,700
Executive Director of Resources, Executive Director of Place	£156,060
Executive Director of Children, Families & Schools, Executive Director Health, Wellbeing & Adults, Executive Director Gateway, Strategy & Engagement	£137,700
Director of Adult Social Care & All-Age Disability	£130,050
Director of District Centres & Regeneration, Director of Public Health, Director of Early Help & Children Social Care, Director of Procurement & Commissioning, Chief Digital Officer, Director of Law & Governance	£119,646
Director of Finance, Investment & Risk, Director of Economic Growth, Director of Planning & Strategic Transport, Director of Education & Youth Engagement, Director of Public Realm, Director of Growth	£109,140
Director of Human Resources, Director of Residents Gateway Services, Director of Housing Assessments & Solutions, Director of FM & Support Services	£98,838

Tier 2: current (2018-19)

Grade	Scp	Salary *
Croydon Special Range A	1	£62,583
	2	£64,638
	3	£68,751
Croydon Special Range B	4	£78,912
	5	£81,426
	6	£83,934

** Plus cost of living national pay award to be decided*

Car allowances and mileage payments

	451 - 999cc	**1000 - 1199cc**	**1200 - 1450cc**
Compulsory car users		Only payable for cars within DVLA bandings A-E for CO2 emissions	
Lump sum per annum	£846	£963	£1,239
per mile first 8,500	36.9p	40.9p	50.5p
per mile after 8,500	13.7p	14.4p	16.4p

	451 - 999cc	**1000 - 1199cc**	**1200 - 1450cc**
Other users		Only payable for cars within DVLA bandings A-E for CO2 emissions	
per mile first 8,500	46.9p	52.2p	65.0p
per mile after 8,500	13.7p	14.4p	16.4p

Appendix B

CROYDON COUNCIL

RELOCATION SCHEME

Introduction

These guidelines may be used to overcome a skills shortage or as a recruitment and retention tool. The Council's approach to attracting, recruiting, developing and retaining talent sometimes needs to be supported to enable the placement of someone with known abilities and expertise into a specific role.

The decision to apply this scheme should be agreed before an offer of employment has been accepted and should preferably be displayed in the job advertisement. An "in principle" offer of assistance, subject to meeting the requirements of the scheme, must be contained in the offer of employment letter. An offer of a relocation package cannot be made after employment commences.

There is no automatic entitlement to help with relocation or the amount paid. Payment is subject to approval in all cases by the relevant tier 1 manager, production of receipts and the amount of budget available within the service. No central relocation budget exists, so payments must be made from the relevant department's own budget.

Relocation assistance will not exceed £8,000, will not normally be provided to employees already employed by the Council (including those on fixed term or temporary contracts) and can be paid once only. Any subsequent moves will not attract a payment.

Eligibility

The following criteria must be met to be eligible for a relocation payment;

- The applicant is lives more than 90 minutes travelling distance away from the new workplace and is relocating to a location within that limit.
- all owners or joint owners of the residence are moving, if claiming fees connected with the sale and purchase of a property
- the applicant is moving within 6 months of starting their employment with the Council
- the applicant is not benefiting from relocation assistance from another source (e.g. their partner's employer)
- the applicant is moving to work solely for Croydon

Conditions

The recipient must sign an agreement to remain in Croydon Council's employment for a minimum of three years. If they leave voluntarily or are dismissed on grounds of misconduct or capability within three years, repayment will be due, charged at 1/36 of the total amount of expenses paid per uncompleted month of service.

Two quotes must be obtained for removal and storage expenses for which the lower amount may be reimbursed. Records of payments made will be recorded on the employee's personal file and retained by the manager who signs the agreement.

The employee is responsible for:

- taking steps to sell their property (if applicable) and obtaining accommodation within reasonable travelling distance (90 minutes) within 6 months of their start date with Croydon Council.
- seeking approval for any relocation expenses prior to incurring the expense.
- signing the three year agreement
- providing a full breakdown of costs and comprehensive receipts for all expenses claimed for under the scheme. Bank statements or credit card receipts cannot be accepted.
- providing at least two quotes if claiming for removal expenses.

The manager is responsible for:

- obtaining approval of the Director of Human Resources and their Director and the correct financial authorisation (including departmental expenditure panel if relevant), before offering a relocation package
- subject to the eligibility criteria, informing the successful candidate of the relocation scheme when offering the appointment
- ensuring that finances are available to fund a relocation package
- agreeing with the employee the types of expenses they are able to cover and the maximum amount to be paid
- reviewing the situation if positive steps are not being taken by the candidate/employee to sell and/or buy a new property within 6 months of starting their employment.
- ensuring an agreement is signed by the employee and storing a copy on their personal HR file
- keeping a copy of the agreement, a full breakdown of costs, receipts and quotes.
- arranging for payment(s) to be paid into the employee's bank account before the end of the tax year following their appointment date and that taxable payments are paid via Payroll

- ensuring that records of all payments are kept on the employee’s personal HR file

- arranging the recovery of expenses if the employee leaves within three years, including writing to them to confirm the outstanding amount due and informing them if it will be taken out of their final salary or pension contributions.

Tax

Relocation expenses up to £8,000 per move are currently tax free as long as they are provided by the employer before the end of the tax year following the date of appointment (including VAT on expenses), but some payments are taxable. The following expenses may or may not be included in the agreed package.

- Payment for rent where it is necessary to temporarily maintain two homes , up to a maximum of 6 months*
- Travelling costs where two homes are temporarily maintained, up to a maximum of 6 months (either standard class train fares or casual car user mileage rates)
- Legal and Estate Agents fees connected with the sale and purchase of property
- Removal and storage of household furniture and effects
- Disconnection and reconnection of utilities*
- Reinstallation of domestic appliances such as cookers and washing machines*
- Charges incurred for ending a rental agreement early *
- Deposit for rented accommodation *
- Two days paid removal leave in addition to normal leave entitlement*
- Refund of unexpired season tickets*
- Shipping costs, if moving from abroad
- Survey Fees*
- Unplanned costs such as school uniforms, carpets, curtains, *
- Redirection of mail*

*subject to tax and NI contributions

As the tax position may change, it is advisable to check with the HMRC before finalising any arrangements under this guidance.

Appendix C

EARLY RETIREMENT & REDUNDANCY SCHEME (incl. Efficiency of the Service)

Council approved 1981.
Amended by Corporate Services Committee on 11 October 2006; effective from 1st December 2006
Amended 010410: legislative changes
Amended 010411: Employee Based Cost Review (EBCR)

1. SCOPE AND PURPOSE OF SCHEME

1.1. This scheme is without prejudice to the Council's and the trade unions' general policy of opposition to redundancies. It outlines the approach the Council may use when making staffing reductions through redundancy, early retirement on the grounds of redundancy, and early retirement on the grounds of efficiency of the service.

1.2. The scheme covers all categories of staff except teachers and lecturers for whom a separate scheme exists.

1.3. The scheme sets out the normal level of payments made to employees. Certain payments in the scheme are enhanced by the Council exercising its discretion, as allowed for in legislation. The exercise of the Council's discretion is subject to a decision in each case, and the Council reserves the right to apply different payments in particular cases. The Council also reserves the right to withdraw or suspend the scheme at any time.

2. GENERAL

2.1. Where redundancies as defined in the Employment Rights Act 1996 are contemplated the Council may choose to seek volunteers for early retirement or redundancy from the staff. Should the number of volunteers for early retirement or redundancy exceed the required number of post reductions the Council will consult staff representatives about the method of selection.

3. EARLY RETIREMENT BY REASON OF REDUNDANCY (only for employees aged 55 and over)

3.1. Employees aged 55 or more who are made redundant (including those who volunteer under paragraph 2.1) will be eligible for immediate payment of pension benefits if they have 2 or more years membership in the LGPS (or have less than 2 years membership, but have had a transfer of pension rights into the LGPS from another source).

3.2. In addition to immediate payment of pension benefits, employees with 2 years continuous service will also be entitled to a redundancy payment. The redundancy payment will be calculated as set out in section 4.

3.3. The granting of any augmentation in respect of redundancy and early retirement in the interests of the efficiency of the service is at the Council's discretion.to compensate officers for the loss of position and future expectations as a result of the Council's actions. It is not in respect of past service, which is covered by pension entitlement arising from contributions made into the Pension Fund.

3.4. The costs of the early payment of benefits are charged to departmental budgets rather than the Pension Fund.

4. REDUNDANCY

4.1. Employees who are made redundant will receive a redundancy payment based on length of continuous service and age as laid down in the Employment Rights Act. The details of the statutory redundancy payments vary with age and length of service and a ready reckoner is set out in Appendix 1.

4.2. Continuous local government service (and certain related service) will be used where this exceeds service with the London Borough of Croydon and in calculating the redundancy payment the weekly pay used for calculating redundancy payments will be as follows:

a) In cases of compulsory redundancy, by reducing by 50% the amount by which an employee's actual weekly pay exceeds the statutory cap e.g. with the statutory cap at £400 and an employee's actual weekly pay at £500, redundancy pay would be calculated on a revised weekly pay of £450.

b) In cases of voluntary redundancy, by reducing by 25% the amount by which an employee's weekly pay exceeds the statutory cap e.g. with the statutory cap at £400 and an employee's actual weekly pay at £500, redundancy pay would be calculated on a revised weekly pay of £475.

5. EARLY RETIREMENT IN THE INTERESTS OF THE EFFICIENCY OF THE SERVICE

5.1. The Council will consider applications from staff, supported by their Directors, for early retirement on the grounds of the efficiency of the service. Each case will be decided on its merits by the Assistant Chief Executive (Corporate Resources and Section 151 Officer) in consultation with the Director of Human Resources and the relevant departmental Director. They will use their discretion based on the following criteria:

(a) staff suffering ill-health of a nature not covered by the ill-health provisions of the Pension scheme
(b) a change in the organisation of an establishment or department which does not give rise to redundancy
(c) staff who are unable to meet the changed requirements of their post

5.2. Employees aged 55 or over, who retire on the grounds of efficiency of the service are eligible for immediate payment of pension benefits if they have 2 or more years membership in the LGPS (or have less than 2 years membership, but have had a transfer of pension rights into the LGPS from another source).

5.3. In these cases there is no entitlement to a redundancy payment.

6. COMPLYING WITH LEGISLATION

6.1 The Council will only apply the above policy in a manner which is compatible with the law (inc. legislation, subordinate legislation and case law) and anything in this policy which is incompatible with the law shall be disregarded or applied only to the extent that doing so would not be contrary to the law as it is understood when the policy is applied in any particular case.

End

“Ready Reckoner” For Statutory Redundancy Pay

Figures in grid show the number of weeks pay due

Continuous Service (Years)																			
Age	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
18[1]	1																		
19	1	1½																	
20	1	1½	2																
21	1	1½	2	2½															
22	1	1½	2	2½	3														
23	1½	2	2½	3	3½	4													
24	2	2½	3	3½	4	4½	5												
25	2	3	3½	4	4½	5	5½	6											
26	2	3	4	4½	5	5½	6	6½	7										
27	2	3	4	5	5½	6	6½	7	7½	8									
28	2	3	4	5	6	6½	7	7½	8	8½	9								
29	2	3	4	5	6	7	7½	8	8½	9	9½	10							
30	2	3	4	5	6	7	8	8½	9	9½	10	10½	11						
31	2	3	4	5	6	7	8	9	9½	10	10½	11	11½	12					
32	2	3	4	5	6	7	8	9	10	10½	11	11½	12	12½	13				
33	2	3	4	5	6	7	8	9	10	11	11½	12	12½	13	13½	14			
34	2	3	4	5	6	7	8	9	10	11	12	12½	13	13½	14	14½	15		
35	2	3	4	5	6	7	8	9	10	11	12	13	13½	14	14½	15	15½	16	
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14½	15	15½	16	16½	17
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15½	16	16½	17	17½
38	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16½	17	17½	18
39	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	17½	18	18½
40	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	18½	19
41	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19½

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[1] It is possible that an individual could start to build up continuous service before age 16, but this is likely to be rare, and therefore the table starts from age 18.

	Continuous Service (Years)																		
Age	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
42	2½	3½	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½
43	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
44	3	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½
45	3	4½	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
46	3	4½	6	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½
47	3	4½	6	7½	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
48	3	4½	6	7½	9	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½
49	3	4½	6	7½	9	10½	12	13	14	15	16	17	18	19	20	21	22	23	24
50	3	4½	6	7½	9	10½	12	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½	24½
51	3	4½	6	7½	9	10½	12	13½	15	16	17	18	19	20	21	22	23	24	25
52	3	4½	6	7½	9	10½	12	13½	15	16½	17½	18½	19½	20½	21½	22½	23½	24½	25½
53	3	4½	6	7½	9	10½	12	13½	15	16½	18	19	20	21	22	23	24	25	26
54	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	20½	21½	22½	23½	24½	25½	26½
55	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22	23	24	25	26	27
56	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	23½	24½	25½	26½	27½
57	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25	26	27	28
58	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	26½	27½	28½
59	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28	29
60	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	29½
61*	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30

* The same figures should be used when calculating the redundancy payment for a person aged 61 and above.

Notes:

Statutory redundancy payments are based on length of continuous service (up to max of 20 yrs) and age as follows:
- for each completed year of service up to age 21 inclusive: half a week's pay
- for each completed year of service from age 22-40 inclusive: one week's pay.
- for each completed year of service from age 41 inclusive: one and a half week's pay.

Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

Background

The Local Government Finance Act 2012 (LGFA 2012) made provision for Local Authorities to technically reform Council Tax discounts and exemptions with effect from 1st April 2013.

Sections 10,11 and 12 of the LGFA 2012 contained provisions for changes that were agreed by Cabinet in December 2012, and the changes included:-

- Reducing the discount on 2nd homes to nil.
- Class A and Class C exemptions were abolished and replaced by discounts which the Council had the discretion to reduce the discount to nil.
- Where a discount replaced a Class A exemption and that discount was more than the Council's long term empty discount, the Council has the discretion to prescribe that discount to 12 months
- Where a discount replaced a Class C exemption, and that discount is more than the Council's long term empty discount, the Council had the discretion to prescribe the period of the discount to 12 months
- The Council has the discretion to add a "premium" of up to 50% on any long terms empty of up to 50% on any long term empty dwelling which has been unoccupied and substantially unfurnished for more than 2 years
- Where a mortgagee is in possession of a dwelling, the mortgagee will be liable to pay the Council Tax and it will be treated like any other long term empty dwelling

One of the drivers for these changes was to incentivise owners to bring their empty properties back into use, therefore assisting with the current housing pressure in the Borough.

The Rating (Property in Common Occupation)and Council Tax (Empty Dwellings) Act 2018 received royal assent on 1st November 2018, and made provisions to increase the percentage by which a billing authority may increase the Council Tax payable in respect of a long-term empty dwelling from 1st April 2019. A long-term empty dwelling, is a dwelling that is unoccupied and substantially unfurnished for a period of two years or more, and the dwelling is not a prescribed class of dwelling.

From 1st April 2019

The Rating (Property in Common Occupation)and Council Tax (Empty Dwellings) Act 2018 further enables a Council to increase the Council Tax premium for long term empty dwellings, from 50% to 100% with effect from 1st April 2019.

What this means in additional revenue based on the number of long term empty dwellings as at 18th January 2019 is as follows:-

	Number	Base Liability for 2018	Base Liability for 2019 (2018 plus 4.88%)	50% Premium	100% Premium
Premium 50%	135	£213,714	£224,143	£336,215	£448,286
PCLD zero	1	£1,637	£1,717	£2,575	£3,434
PCLC zero	273	£432,170	£453,259	£679,889	£906,519
Total	409	£647,521	£679,120	£1,018,679	£1,358,239
Additional Revenue 2019					**£339,559**

From 1st April 2020

In addition to the above, a Council has the power to increase the 100% premium to 200% from 1st April 2020 where a dwelling has been long term empty for more than 5 years. If a dwelling is long term empty for 5 years or less the premium will remain 100%.

What this means in additional revenue based on the number of long term empty dwellings as at 18th January 2019 is as follows:-

	No. > 2 years and < = 5 years	No. > 5 years	100% Premium	200% Premium	Total Additional Premium
Premium 50%	41	94	£138,110	£465,264	£603,374
PCLD zero	1	0	£3,432	£0	£3,432
PCLC zero	265	8	£879,430	£40,629	£920,059
Additional Revenue 2020	307	102	£1,020,972	£505,893	£1,526,865

From 1st April 2021

From 1st April 2021, a Council has the power to increase the 200% premium mentioned above to 300%, if a dwelling has been long term empty for over 10 years. The premium will remain 200% if the dwelling has been long term empty for more than 5 years and up to 10 years. If the long term empty dwelling has been empty for less than 5 years, the premium remains at 100%.

What this means in additional revenue based on the number of long term empty dwellings as at 18th January 2019 is as follows:-

	No. >2 years and < = 5 years	No. > 5 years and < = 10 years	No. > 10 years	100% Premium	200% Premium	300% Premium	Total Additional Premium
Premium 50%	41	55	39	£138,110	271,260	258,668	668,038
PCLD zero	1	5	0	£3,432	0	0	3,432
PCLC zero	267	0	3	£879,430	23,463	22,888	925,781
Additional Revenue 2021	307	60	42	£1,020,972	294,723	281,556	1,597,251

These figures are based on the number and value of the long term empty dwellings in the Council Tax base as at 18th January 2019, what will happen in reality is that some dwelling will come back into use and other dwellings will become long term empty over time.

What is a prescribed class of dwelling?

The Council Tax (Prescribed Classes of Dwellings)(England)(Amendment) Regulations 2012, describes which classes of dwellings could not be included in the reduced discounts and additional premium.

The proposed changes under these regulations are:

- No premium can be added on a dwelling which is exempt
- No premium can be added on a dwelling which is genuinely on the market for sale or letting
- No premium can be added on a dwelling which is the sole or main residence of a member of the armed forces, who is absent from the property as a result of such service
- No premium can be added on an annex deemed unoccupied, because it is treated by the occupier of the main dwelling as part of the main dwelling:

Impact on Croydon

The biggest problem regarding the earlier reforms is regarding whether or not a dwelling is genuinely for sale or rent. The problem, however, is largely an administrative one and it was unclear to what extent owners will seek to evade the premium. The reality is this has not been an issue for Croydon in the recent past.

However in the absence of regulations which specify what “genuine efforts” are, it will be for the taxpayer to prove to the council’s satisfaction that they should not be subject to a premium. In the case of any dispute, there will be a right of appeal to Valuation Tribunal, and again this has not been an issue for Croydon since the inception of these regulations from 1st April 2013.

Recommendation

Members are asked to agree the increase in premium for long-term empty dwellings with effect from 1st April 2019.

Adult Social Care Charging Policy Framework Changes

Background

The Care Act legislation came into force in April 2015 and was the largest change in Adult Social Care experienced by the Local Authorities in England in over 40 years.

This legislation also delivered a reform to the way that care is paid for. However, the Act also intended to make the care and support system clearer and fairer for those who need it the most.

Aligned with national changes to welfare benefits Croydon Council have consulted on five proposals relating to changes to the Charging Policy on client contributions to ensure our policy is fully in line with the current statutory framework.

The charging policy will be set out in a way that future proofs the requirements in respect of the various financial limits and fees which will vary over time.

A consultation has taken place between 17/12/18 and 25/01/19. There have been 124 respondents to the online questionnaire, an easy read version was also in place and 44 calls received to the Charging Helpline, a meeting held at the Carers Centre / Direct Payments Service User Group and all individuals affected were written to with full details of the consulted areas and how to provide views / comments back to the council. Information relating to more detailed feedback will be provided through 'Get Involved' at a later date and a summary within the Appendix of this document.

The changes to the Charging policy is through the areas as summarised below:-

Proposal Number	Proposal	What this means?
1	Amending the point at which services become chargeable	Charging from the start of service
2	Changing the treatment of some income	Taking the full amount of the Higher rate Disability living allowance (care component) DLA, Attendance Allowance (AA) and the enhanced daily rate of Personal independence payment (PIP) into account in the financial assessment
3	Light touch financial assessments	Clients on the lowest level of income completing a light touch financial assessment to receive a faster response
4	Administration charges	Applying an arrangement fee for arranging care and support on behalf of people who pay for their own care

		and who ask the local authority to arrange their care and support.
5	Meals on wheels	Taking away the subsidy currently in place and changes to how the service is provided to people.

Revised Charging Policy

Care and support is not a free service like the NHS. Customers have always had to pay something towards the cost of their care and support. Whilst some types of care and support are provided free, as shown below, there are also areas that will be subject to a charge.

In accordance with the Care Act 2014 it instructs that local authorities are not permitted to charge for provision of the following types of care and support:

- Community equipment (aids and minor adaptations): a service which consists of the provision of an aid, or minor adaptation to property, for the purposes of assisting with nursing at home or aiding daily living. An adaptation is minor if the cost of making the adaptation is £1,000 or less;
- Intermediate care (including reablement support) services for up to 6 weeks;
- Any service or part of service which the NHS is under duty to provide. This includes Continuing Healthcare and the NHS contribution to Registered Nursing Care;
- Aftercare services provided to people under Section 117 of the Mental Health Act 1982;
- Care and support provided to people with variant Creutzfeldt-Jacob Disease;
- Assessment of needs and care planning, including the cost of the financial assessment, as these constitute ‘meeting needs’
- Provision of Information, Advice and Guidance

People will only be asked to pay what they can afford. Sometimes the customer will pay the full cost, or sometimes the cost will be shared between the customer and the Council.

To decide what a person can afford to pay, the Council will carry out a financial assessment. The council will consider the person’s income, and any assets they own, like investments or a house. The council will then calculate how much the person can afford to pay towards their care and support costs. The Care Act sets out a clearer approach to charging and financial assessment to inform people of the contribution they will need to pay towards their care and support.

The Act provides the Council with the power to charge for care and support. However, the Council may not charge for those services which the regulations say must always be provided free as detailed above.

After the financial assessment, the local authority will inform people whether they need to pay for all, some or none of their care costs. The council already have a charging policy that sets out the charges made to people and it is timely to revise this policy as it has been three years since the Care Act came into force.

The detailed revised policy will be completed once the governance and decision making process has concluded and will be available in its revised version for any changes agreed to come into place from April 2019 with the key changes as below:

1. Amending the point of when services become chargeable
2. Changing the treatment of some income
3. Light touch financial assessments
4. The council can charge an annual fee for arranging and administering personal accounts for people (self funding clients).
5. Removal of the subsidiary for Meals on Wheels.

The Care Act also provides the council with the power to charge for support for carers where they have an eligible support need in their own right, whether or not, and providing the adult they care for also meets the eligibility criteria for care and support.

However, Croydon Council have chosen not to charge carers as the Council want to encourage and support carers and it is not the intention to implement this at this stage.

The changes proposed above can be viewed in more detail within Appendix One.

Options

The options associated with this paper are listed below:

- **Option 1 -** Approve all of the revised policy changes as set out above
- **Option 2 -** Do not approve the revised policy changes as set out above
- **Option 3 –** Implement some of the revised policy changes as set out above

Summary

Any of the revisions to policy agreed above and within the next version of the Charging Policy will need to be in place by April 2019.

These revisions to policy provide the Councils policy framework for the financial elements of the Care Act to provide a transparent, consistent and fair approach to the financial support that people can expect.

There is little latitude within the Act to vary the policies and it is recommended that members approve the policy changes as set out within this paper.

The Policy may need further amendments over time and it is recommended that the power to make those amendments should they arise and do not conflict with the intention of the Care Act is delegated to the Councils Director of Finance Officer in full consultation with the Executive Director of Adult Social Care Services.

Consultation Summary

Croydon Council, as all councils across England during 2014/15, were involved in and followed the national development and implementation of the Care Act in respect of the Care Act and its final guidance which reflects this consultation. This does not mean that the Act reflects what many council's may have wanted during the writing of the national guidance for this area in 2013/14, but that full consideration has been given to the financial challenges facing councils and the budget position across Social Care services.

A consultation has been completed where people affected directly have been written too individually, an online questionnaire has been available, and an easy read document and a charging telephone helpline has been in place throughout the consultation period.

The feedback from the consultation is detailed below.

Recommendation

Council are asked to consider and approve:

1. To provide agreement to amend the policy framework to comply with the Care Act 2014 and the Acts objectives for the residents of Croydon to agree applicable charges as detailed above.

Consultation Feedback

Charging Policy – Client Contributions

1. Introduction and Background

Croydon Council asked for views on proposed changes to the Charging Policy for Adult Social Care (ASC) and support in relation to the contributions that people make to their care and support as set out in the Care Act 2014.

The Charging Policy is in place to ensure that people are aware of who would be required to pay contributions towards their care and support, while ensuring those are appropriate amounts according to the services they require and ability to pay.

The changes considered will ensure that Croydon Council's charging policy reflects the requirements of the Care Act.

Significant legal changes were introduced under the Care Act which came into effect from 1 April 2015. The Care and Support Statutory Guidance is statutory guidance to support implementation of part 1 of the Care Act 2014 by local authorities. The guidance was updated on 26 October 2018. As discussed in this document it is also necessary to have regard to the Care and Support (Charging and Assessment of Resources) Regulations 2014 ('the 2014 Regulations').

Croydon Council, alongside all Councils in England, now uses a charging policy written in accordance with the Care Act which replaces the previous *Fairer Charging for Non-Residential Services* and the *Charging for Residential Accommodation Guide*.

There have also been national changes to welfare benefits, in particular the introduction of the Personal Independence Payment (PIP), replacing the Disability Living Allowance (DLA). PIP is based on different criteria to the DLA.

In light of these changes, the changes to Croydon's Charging Policy on client contributions is to ensure the policy is fully in line with the current statutory framework and in line with other local authorities.

If the changes are in agreement, the revised policy will continue to ensure the protection of those with the least financial resources through free or subsidised care and support. However, where a customer has the financial means to pay a contribution, or to pay for their care in full they do so.

As in other parts of the country, Croydon's population is changing. The number of older people living within the borough is increasing and with advances in medical care it is evidenced that people are living longer and people are able to be supported to live at home for longer. Residential care is no longer the first option for many people, their carers and families. There are people who want to remain at home and continue to be supported by their families.

While this of course is welcome news, as we promote choice and control and a personalised approach to support from social care and health, it also means we have to continue to think about how we provide our services. These challenges, coupled with new responsibilities due to changes in the law such as the Care Act 2014, the welfare benefit reforms and the impending green paper for social care, mean that an increasing number of people require support from the local authority.

By 2019 government cuts mean that the council's like for like funding will have been more than halved compared to 2010 levels. At the same time, Adult's services currently support more than 4500 residents per year, and this number is increasing.

Efficiency savings have been made across the council in the last three years whilst continuing to deliver high quality services to residents. Further cuts to Government funding, in addition to other social pressures, including a rapidly growing ageing population, have left Croydon Council with a further budget gap which we need to fill by 2020.

This means that we have to look at new ways of working to provide adult social care and support and make some difficult decisions about what the council can provide going forward.

Croydon Council is focused on changing the way that adults services currently operates by trying to work in a different way; helping residents stay active, healthy and independent for longer, and working with their strengths.

We want to help people who need our advice or support in a more holistic way, closer to their communities through locality working. Also, through new digital channels to support people to reduce dependency on long term care and support where people are healthy and safe.

At the same time, we also want to encourage a greater contribution from people and organisations with an interest in keeping Croydon a healthy and safe place to live, whilst remaining at home for as long as possible where appropriate to do so.

A further review of legislation and guidance has been undertaken to consider proposals which could raise additional income to support the future sustainability of essential social care services.

The proposed changes included:

Proposal Number	**Proposal**	**What this means?**
1	Amending the point at which services become chargeable	Charging from the start of service
2	Changing the treatment of some income	Taking the full amount of the Higher rate Disability living allowance (care component) DLA, Attendance

Proposal Number	Proposal	What this means?
		Allowance (AA) and the enhanced daily rate of Personal independence payment (PIP) into account in the financial assessment
3	Light touch financial assessments	Clients on the lowest level of income completing a light touch financial assessment to receive a faster response
4	Administration charges	Applying an arrangement fee for arranging care and support on behalf of people who pay for their own care and who ask the local authority to arrange their care and support.
5	Meals on wheels	Taking away the subsidy currently in place and changes to how the service is provided to people.

2. Consultation

Local authorities have a general duty to provide the best value to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness at all times.

As part of the decision making process under current financial challenges all Local Authorities are facing decisions on how to fulfil the provision of the best services it can provide within the finances available.

A consultation exercise has been completed as the proposed changes to Social Care charging would impact across all service user groups, a consultation exercise and an Equality Impact assessment have been undertaken as agreed with Council Members and Senior Management Team in ASC.

3. Key Principles

It is considered good practice for consultation to be:

- Undertaken at a time when proposals are at early development stage;
- Including sufficient reasons / background for particular proposals to allow groups of people consulted to give intelligent consideration and an intelligent response;
- Include time for responses to be provided; and
- The product of consultation must be conscientiously taken into account when the ultimate decisions are made to implement them.

4. The Consultation Methodology

The consultation had a number of ways in which people could respond and details are outlined below:

- Within the Croydon Council public website
- An on line survey was in place within the website
- The consultation was promoted through electronic communications to the workforce on a number of occasions
- An easy read version was also made available and on line
- A Charging Helpline was set up for people to speak to someone should they wish to do so and was available between 10am to 12pm and 2pm to 4pm on Tuesday, Wednesdays and Fridays, there was also an in built answer machine facility available for people to leave views / comments in between these times and;
- if people wanted to request a hard copy of the survey
- Engagement meetings with people were held at the Carers Centre and through the Direct Payments User Group.
- All people directly affected were written to individually outlining the consultation and process to respond across the Borough.
- In line with the Accessible Information Standard it was stated that the above documents were also available in other formats and could be requested.
- People were also redirected for any further information relating to advice and guidance to the Care Act which is the underpinning legislation of the department and the link below was provided:

  Care Act Statutory Guidance

  https://www.gov.uk/government/publications/care-act-statutory-guidance/care-and-support-statutory-guidance

The consultation was for anyone in Croydon to participate in – service users, their carers and wider Croydon residents to understand the impact of the changes to the contributions people may make now and in the future, but to also provide the context in relation to the challenges and complexities of the changes and budget pressures facing all councils across England.

The consultation was open from 17/12/18 to 25/01/19 (6 weeks).

The survey questionnaire consisted of questions and contained a variety of open and closed questions - some required the respondent to provide views / comments in free text areas and others were from a selection from a list of possible answers.

A scale was used to rate the extent to which respondents strongly agree / agree / Neither agree or disagree / strongly disagree with the proposals and open questions were used to allow respondents to say how they felt the proposals would impact on them as well as provide any further comments.

5. Responses Received

A total of 174 responses were received broken down as:

On Line Survey Questionnaire's Completed	Charging Helpline – calls received	Hard Copy Questionnaires received
124	44 (11 of which were requests for paper version of the questionnaire)	6

6. Analysis of Findings

To what extent do you agree or disagree that, when people can afford to do so, they should be asked to pay their contribution towards care, from the date when they begin to receive a service?

Broken down: Majority in agreement with the proposal

58.87% Strongly agree / Agree
8.06% Neither agree or disagree
33.07% Disagree / Strongly Disagree

This single response question was answered by 124 respondents.

Response	Number of Respondents	Percentage of Respondents
Strongly agree	14	11.29%
Agree	59	47.58%
Neither agree nor disagree	10	8.06%
Disagree	18	14.52%
Strongly disagree	23	18.55%

The consultation also gave respondents options to provide their views as to how the proposals would impact on them and to write any other comments.

The questionnaire asked a series of questions. An analysis of the responses is detailed below with a small sample of agreed and disagreed feedback for each survey question included.

Agree:

'If they have savings over £23,500.00 they should make a contribution towards their care'

'This is a fair and equitable policy which ensures funding is available for the most needy'

'The money saved would help people who cannot afford the care at all'

Disagree:

'Need time to make plans and assess income'

'If you can clearly afford to pay and it will not mean you end up penniless then yes. However I do not think if you have paid into the system you should then end up with nothing after paying for care when you are getting

'Care is expensive and most who need to be cared for don't earn money so shouldn't be expected to pay for something that's essential'

Charge from start of service - Summary:

- Most people are in agreement but there is concern that as a result of delays people will receive large back dated invoices which is unfair.
- Clients should be aware of the cost of care / assessed contribution from the outset so that they can budget for their care costs.
- Financial Assessments need to be completed at a faster pace.
- Feedback indicates that people have concerns about the quality of care that people are being asked to pay for across Croydon.
- Misconception that we are going to take away the up to 6 weeks free care for reablement so information and advice needs to be more robust and much clearer.

To what extent do you agree or disagree that the higher rate of Attendance Allowance or the higher rate of Disability Living Allowance care component should be taken into account in full when calculating someone's contribution towards care?

Broken down: Majority not in agreement with the proposal

18.27% Strongly agree / Agree
16.35% Neither agree or disagree
65.38% Disagree / Strongly Disagree

This single response question was answered by 104 respondents.

Response	Number of Respondents	Percentage of Respondents
Strongly agree	6	5.77%
Agree	13	12.50%
Neither agree nor disagree	17	16.35%
Disagree	21	20.19%
Strongly disagree	47	45.19%

Agree:

'Any assessment made of a person's ability to pay should be based on their whole income - regardless of the source'

'I believe all income, regardless of what it is composed of, must be considered when assessing contribution towards care and support'

'This would be preferable to option 1. However, I hope any older or disabled people not in receipt of disability benefits will be supported to apply as many do not know about them'

Disagree:

'Homes often take other costs from people on benefits on top of the council payments

'People need to be able to look after themselves without worry about care cost which they may withdraw any support given and which they badly need'

Higher Rate DLA - Summary:

- High numbers of people who disagree with the HR DLA /AA proposal
- Confusion relating to which benefit provides money for what purpose / Ensure that robust information, advice and guidance is in place for full clarity.
- Concerns have been raised in terms of taking the night time money paid by DWP into account within the financial assessment. Clients are concerned they will not be able to pay for items they are currently paying for, e.g. medicines not covered by the NHS has been mentioned and meals etc. Information links to provide detail around this and Disability Related Expenditure is required to ensure understanding around the purpose of DWP payments and financial assessment allowances.
- The Council needs to ensure people fully understand and are informed that the disregard is meant to pay for night time care that they may not in fact be in receipt of currently.
- There are allowances given under existing policy; 'protected income and allowances' to ensure service users have money for day to day living covering costs of meals etc. Disability Related Expenditure will address the additional costs – medicines for example. Information and clarity of these areas will be strengthened.

To what extent do you agree or disagree that a 'light touch' financial assessment should be offered to residents who have the lowest level of income, to speed up the financial assessment and enable the council to refocus resources to help manage demand in this area of work?

Broken down: Majority in agreement with the proposal

63.1% Strongly agree / Agree
20.39% Neither agree or disagree
16.51% Disagree / Strongly Disagree

This single response question was answered by 103 respondents.

Response	Number of Respondents	Percentage of Respondents
Strongly agree	28	27.18%
Agree	37	35.92%
Neither agree nor disagree	21	20.39%
Disagree	7	6.80%
Strongly Disagree	10	9.71%

Agree:

'As the most needy should be helped to receive a faster response'

'I think by offering this service if fairly done it would make sense for those on the lowest income'

'It makes sense to allocate council resources where they are most needed'

Disagree:

‘If you have no money, waiting for the wheels of Government to turn could mean death from cold or hunger. Pay up ASAP please’

‘No one on low income should have the extra worry of paying costs towards their care’

‘Those who the government deem need extra money should always get support and it is very unpleasant to have finances studied and have to explain what one spends money on’

Light touch financial assessment:

- High percentage of people are in agreement.

- Comments received are expressing a need for communication / information to be clear and easy to follow. It is important that people completely understand what is happening regarding a light touch Financial Assessment.

- A common concern raised relates to the need for spot checking, reviewing and carrying out quality control checks to ensure that the right people are benefiting from this proposal and that we do not lose income as a result of it.

- CIS (Customer information system – DWP information) checking will happen upfront to help verify eligibility for anyone falling into the remit of this proposal. Annual reviews will be carried out along with spot checks to ensure validity throughout the customer journey.

- Where clients are on the lowest levels of income the council will of course also be referring and monitoring any welfare benefit claims we can help them to maximise service user’s income.

- Audit and process checks will be in place to ensure detection of any fraudulent activity as per procedures already in place by the Council.

To what extent do you agree or disagree that people with capital over £23,250 should be charged an arrangement fee up to a maximum of £260.00 for the council to arrange care and support on their behalf when they have specifically requested this for non-residential services?

Broken down: People agreed and disagreed in close % for this proposal with a third of the responses neither agreeing or disagreeing

34.31% Strongly agree / Agree
29.41% Neither agree or disagree
36.28% Disagree / Strongly Disagree

This single response question was answered by 102 respondents.

Response	Number of Respondents	Percentage of Respondents
Strongly agree	6	5.88%
Agree	29	28.43%
Neither agree nor disagree	30	29.41%
Disagree	17	16.67%
Strongly disagree	20	19.61%

Agree:

‘I suppose if they can afford to fund the care they probably won’t object to the arrangement fee’

‘Self funders currently have the option of obtaining their own care services. If this is an additional cost to the council it seems logical to make a charge’

‘I understand the financial restraints the council is under therefore people who can afford arrangement fees should have to pay these’

Disagree:

‘The capital threshold used isn't particularly high and hardly makes the individual well off if that amounts to life savings. It should either be a free service or the threshold needs to be higher’

‘It seems the wealthy are being penalised for having saved. Could a charge not be applied to everyone?’

‘Please encourage people to stay in their own homes or "granny annexes". Make planning applications for "granny annexes" easy and simple. At the moment these are hell!’

Self Funding charge - Summary;

- It is clear that more information in an understandable format is needed and shared with the residents of Croydon, particularly around welfare benefits. Feedback is indicating a level of misunderstanding on what benefits are paid to cover, for which purpose aligned to the personalisation and choice, control through the Care Act 2015 i.e. people can arrange their own care as a self funder.

- Most people are in agreement – where people can afford to pay then they are happy we apply the charge if a service users assets are over £23,250.

- Ensure good communications are in place as well as a robust process to ensure that the council can clearly demonstrate what service levels have been provided i.e. to ensure the council can evidence people are getting what they have paid for.

To what extent do you agree or disagree that residents who do not require adult social care services, other than meals delivered to their home, should continue to receive a meals on wheels service, provided by the current provider, at an additional cost of £1.00 per meal?

Broken down: People in agreement with this proposal

43.14% Strongly agree / Agree
31.37% Neither agree or disagree
25.49% Disagree / Strongly Disagree

This single response question was answered by 102 respondents.

Response	Number of Respondents	Percentage of Respondents
Strongly agree	4	3.92%
Agree	40	39.22%
Neither agree nor disagree	32	31.37%
Disagree	12	11.76%
Strongly disagree	14	13.73%

Agree:

‘A reasonable proposal, given the rising costs we experience currently’

‘Alternative options are available’

‘From my aspect of what I have seen Croydon Council provide for my sister XX, I am very pleased and grateful for the services provided over the years. If it needs extra funding to provide this service, I am quite happy to support the motion...’

Disagree:

‘It may already difficult for them to afford the service’

‘Please treat people as individuals. Everyone has different circumstances and can afford different amounts’

‘The provision of a meal is a simple way of ensuring that a vulnerable person has the opportunity to eat. An individual can be independent but find it difficult to shop or cook a meal for a variety of reasons’

Meals on Wheels - Summary:

- Ensure this proposal detail is clearly communicated to people across Croydon.
- Alternative options are available for people in Croydon to access a meal and information will be provided through the marketplace and also through information, advice and guidance once clients are reviewed under this proposal.
- Majority of respondents are in agreement with this proposal.

7. Summary

People were asked to comment on any impact the proposals may have or to share any other comments they may wish to make. Many comments were personal to the respondent's circumstances.

Main comments from those who agreed to the proposals included:

- That if people are able to contribute more towards their care then they should
- The proposals would help the council to continue to provide care
- That the proposals in the main were fair and equitable

Main concerns of the impacts of the proposals included:

- Being financially worse off
- Anxiety over being able to still afford to pay for their care
- For some, proposals were not clearly understood and feedback reinforced that people require more robust information relating to why their welfare benefits are in place.

Below is a further sub set of questions asked with responses:

Gender Identity:-

Gender identity **This single response question was answered by 99 respondents.**		
Response	**Number of Respondents**	**Percentage of Respondents**
Male (including female to male transgender men)	29	29.29%
Female (including male to female transgender women)	59	59.60%
Non-binary		
Gender variant/non-conforming		
Prefer to self-describe	3	3.03%
Prefer not to say	8	8.08%

Age:-

Age **This single response question was answered by 100 respondents.**		
Response	**Number of Respondents**	**Percentage of Respondents**
Under 16		
16-18		
19-25	1	1%
26-34	5	5%
35-44	7	7%
45-54	13	13%
55-64	35	35%
65+	32	32%
Prefer not to say	7	7%

Ethnicity:-

Which of the following best describes your ethnic background? **This single response question was answered by 100 respondents.**		
Response	**Number of Respondents**	**Percentage of Respondents**
White British	65	65%
White Irish	1	1%
White European	2	2%
Other white	3	3%
Mixed white and black Caribbean		
Mixed white and black African		
Mixed white and Asian	3	3%
Other Mixed background		
Asian or Asian British: Indian	2	2%
Asian or Asian British: Pakistani		
Asian or Asian British: Bangladeshi		
Asian or Asian British: Chinese		
Other Asian or Asian British Background	4	4%
Black or Black British: Caribbean	6	6%
Black or Black British: African	1	1%
Other Black or Black British background	1	1%
Arab		
Prefer not to say	9	9%
Other	3	3%

Disability:-

Do you consider yourself to have a disability? **This single response question was answered by 100 respondents.**		
Response	**Number of Respondents**	**Percentage of Respondents**
Yes	46	46%
No	45	45%
Prefer not to say	9	9%

Disability Response Provided:-

If yes, in what way(s)?
This multiple response question was answered by 48 respondents.

Response	Number of Respondents	Percentage of Respondents
Visually Impaired	16	33.33%
Hearing Impaired	15	31.25%
Mobility disability	37	77.08%
Learning disability	8	16.67%
Communication difficulty	16	33.33%
Mental health problems	13	27.08%
Other	10	20.83%

REPORT TO:	**Cabinet 25 February 2019**
SUBJECT:	**Quarter 3 Financial Performance 2018/19**
LEAD OFFICER:	**Lisa Taylor Director of Finance, Investment And Risk (Section 151 Officer)**
CABINET MEMBER:	**Cllr Tony Newman, Leader Of The Council** **Cllr Simon Hall, Cabinet Member For Finance And Resources**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT:

The recommendations in the report will help to ensure effective management, governance and delivery of the Council's medium term financial strategy and ensure a sound financial delivery of the 2018/19 budget. This will enable the ambitions for the borough for the remainder of this financial year to be developed, programmed and achieved for the residents of our borough.

AMBITIONS FOR CROYDON & WHY WE ARE DOING THIS:

Strong financial governance and stewardship ensures that the Council's resources are aligned to enable the priorities, as set out in the Corporate Plan, to be achieved for the residents of our borough and further enables medium to long term strategic planning considerations based on this strong financial foundation and stewardship.

FINANCIAL IMPACT

The reduced financial settlement and ongoing demand pressures on a range of statutory services are resulting in pressures to the Council's budget and resulting in a forecast overspend at Quarter 3.

FORWARD PLAN KEY DECISION REFERENCE NO.

Not a key decision

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1 RECOMMENDATIONS

Cabinet is recommended to :

i) Note the current revenue outturn forecast at the end of the third quarter of 2018/19 of £2.8m, this is before exceptional items of £2.666m, resulting in a total overspend of £5.466m. If the £5.466m is not reduced by the end of the year up to £5.5m will need to be drawn down from earmarked reserves in 2018/19. Reserves will then be replenished reserves in 2019/20 from the anticipated collection fund surplus and dividend payable to the Council by Brick by Brick, which forms part of the draft 2019/20 budget.

ii) Note the ongoing engagement with and lobbying of Government by the Council for additional funding for Croydon, both in general terms and specifically Unaccompanied Asylum Seeking Children given Croydon's gateway status, fire safety measures and mitigation of the impact of the Universal Credit implementation.

iii) Note the HRA position of a £1.87m forecast underspend against budget;

iv) Note the capital outturn projection of £373.316m**,** forecast to be an underspend of £74.684m against budget;

2. EXECUTIVE SUMMARY

2.1 This report updates the Council's financial outlook at the end of the third quarter of 2018/19, which remains against a context of a series of adverse national funding changes affecting Local Government finance.

2.2 The budget set in February 2018 for 2018/19 assumed grant reductions of 6.5**% (£6.5m)** in the financial year. To manage this reduction, there were a number of savings totalling **£17.5m** built into the budget. Alongside these savings, there was growth of **£26m** for areas where demand and costs have increased. A sum of **£4.7m** has also been added to revenue reserves in 2018/19, replacing the amount drawn down in 2017/18. This sum represents the surplus available from the collection fund during 2017/18, which was not available to the general fund until after 1 April 2018.

2.3 Croydon Council continues to remain under huge financial pressures, deriving notably from:

- Historic underfunding of Croydon over the last 15-20 years,
- Cumulative cuts of more than 75% of government funding between 2010/11 and 2019/20,
- Failure to recognise the inflationary pressures the Council is subject to,
- Continued Chronic underfunding of adult social care and children's social care – the Local Government Association (LGA) has reported that three quarters of local authorities with responsibility for social care are showing overspends and estimates that, by 2019/20, there will be a £2billion funding gap for each of adult social care and children's social care in England,
- Substantial population increase,
- Significant growth in demand for services, both from demographic pressures, such as an ageing population and changes to the make-up of the Croydon population
- Impact of welfare reform, notably the benefits cap, freezing of in-work benefits, local housing allowance, universal credit,
- Underfunding of new duties, such as Health Visiting, Deprivation of Liberty assessments and the Homelessness Reduction Act,
- Failure to properly fund the direct and indirect costs of Croydon's status as the gateway authority for Unaccompanied Asylum Seeking Children (UASC),
- Impact of the underfunding of the health economy,
- Failure to fund the cost of building new schools,
- Restrictions on council housing, the Housing Revenue Account borrowing cap, rent restrictions, rules on right-to-buy receipts.
- Delivering improvement as a result of the recent Ofsted inspection findings in Children's Social Care.

2.4 The financial monitoring process has identified a number of pressures across the council with the most significant being within the Children, Families and Education department. The Council's overall forecast revenue overspend of **£5.466m** is made up of Departmental overspends of **£8.9m,** non-departmental underspends of **£6.100m** and exceptional items of **£2.666m** These exceptional costs relate to additional costs associated with UASC, Leaving Care and Appeal Rights Exhausted over and above the burden on Croydon council taxpayers assumed in the 2018/19 budget. Without these exceptional items, the forecast overspend would be **£2.8m**, as shown in table 1 below.

Table 1 – Summary of forecast revenue outturn position at Quarter 3

Department	Quarter 3 Forecast Variance £'000s	Quarter 2 Forecast Variance £'000s
Health, Wellbeing and Adults	2,099	225
Children, Families and Education	9,131	7,542
Place	(5,350)	(5,062)
Residents and Gateway Services	1,002	1,517
Resources and CEO	2,018	2,044
Departmental Overspend	**8,900**	**6,266**
Corporate Items	(6,100)	(5,000)
Sub Total - Before Exceptional Items	**2,800**	**1,266**
Exceptional Items - Unaccompanied Asylum Seekers (UASC)	2,666	2,279
Total Projected Overspend	**5,466**	**3,545**

2.5 If the **£5.466m** forecast overspend is not reduced by the end of the year then a sum of up to £5.5m can be drawn down from earmarked reserves in 2018/19. The Council is able to do this because the strategy in 2019/20 will then be to replenish reserves by £5.5m from the anticipated collection fund surplus and dividend payable to the Council by Brick by Brick, which forms part of the draft 2019/20 budget.

2.6 Based on the significant demand pressures and challenges that still continue to impact the council, work is underway to look at how these pressures can be reduced, these include:

- Review of Adult Social Care fees and charges to ensure services are charged in accordance with the Care Act legislation;
- A review of SEN travel policy and the type of provision;
- The Council is also undertaking a review of service provision for Appeal Rights Exhausted individuals and families;
- A review of services provided by external contractors;

2.7 The Council is continuing to make a concerted drive for fairer funding for Croydon. Discussions are still ongoing with the Home Office to increase our funding for UASC. The Quarter 1 financial monitoring report presented to this cabinet in September 2018 contained at appendix 3 a letter from the Leader to the Home Secretary highlighting Croydon's concerns relating to UASC. The reply to this letter was included as an appendix to the Quarter 2 monitoring report, and the Minister for Immigration has asked for officials to work with the Council to ensure more timely outcomes on UASC cases, but gave no assurances about additional funding, other than referring to the national funding review that is already underway.

2.8 The government announced an additional £21.3m of controlling migration funding to help manage the pressures of UASC. Final allocations were confirmed in January 2018 last year. Croydon was allocated £376,250, 1.8% of the total allocation despite us having just under 10% of the children in our care and our ‘gateway authority’ duties. The Leader wrote to Ministers to express concern about the fairness of this allocation however the final allocation received did not change.

2.9 The government announced £240m of additional funding for councils to spend on adult social care services to help councils alleviate winter pressures. Allocations were based on the Relative Needs Formula for adult social care and final allocations were confirmed in October. Croydon was allocated £1.4m, which will be used to support service delivery.

2.10 We also continue to engage with the Ministry for Housing, Communities and Local Government (MHCLG) seeking funding of **£10m** for fire safety works following the tragic incident at Grenfell Tower. The Cabinet Member for Homes, Regeneration and Planning has written to the Secretary of State twice seeking commitment to fund essential safety works in Croydon. To date, responses from the MHCLG have been disappointing and have failed to provide any funding, stating that our works do not meet the department’s criteria of essential safety works and that the government expects Croydon to fund measures to make buildings safe.

2.11 As a result of work undertaken by Croydon, changes to the national policy for Universal Credit were announced which took effect from 1 April 2018. As a pilot authority, we have incurred costs in excess of **£3m** and are still in dialogue with the government to seek reimbursement for these costs we have incurred.

2.12 Details of major variances are provided in Table 2, Section 3 of this report, with further information about all projected outturn variances in Appendix 1 to this report.

3. GENERAL FUND 2018/19 REVENUE SUMMARY

3.1 The projected outturn position at quarter 3 of 2018/19 continues to show the effect of anticipated saving and recovery plans that are continuing to be implemented for the remainder of the financial year.

3.2 The 2018/19 budget was set with the inclusion of growth to help manage previously identified pressures and ambitious savings targets. Despite this growth, there continues to be increasing demand for the services relating to adult and children’s social care. There are also budget pressures in the Resources department relating to SEN transport costs, and pressures within the Gateway, Strategy and Engagement department relating to temporary accommodation.

Table 2 – 2018/19 significant variances

Department	Major Variances over £500k	Quarter 3 £'000s	Quarter 2 £'000s	2017/18 Outturn £'000s
CHILDREN, FAMILIES AND EDUCATION				
Care Planning Service	Increase in costs relating to Section 17 expenditure due to increased demand	753	383	0
Corporate Parenting	Corporate Parenting - an increase in the number of external placements and court driven assessments	7,543	5,862	8,093
	Variances below £500k	835	1,297	1,071
CHILDREN, FAMILIES AND EDUCATION TOTAL		**9,131**	**7,542**	**9,164**
HEALTH, WELLBEING AND ADULTS				
25-65 Disability Service	Residential Costs for 7 "Surrey and Borders" clients that were formally Continuing Health Care funded	2,118	2,118	0
	Use of Transformation funding to deliver future savings	(1,000)	0	0
	Overspend on domiciliary care associated with increased client numbers and increased supported living costs plus the additional cost of 36 clients moving from 0-25 Disability Service. This also includes £750k of unachievable savings	3,091	2,173	0
Adult Social Care Directorate	Improved Better Care funding	(2,000)	(2,000)	0
	Unachievable savings relating to ICT transformation project	622	0	0
Mental Health	Increase in cost and number of placements	595	567	0
Over 65 Providers	Use of Transformation funding to deliver Out of Hospital program	(2,000)	(2,000)	0
0-25 CWD Service	Costs relating to additional staff in the transition service. Increase in caseload within the 18-25 placements.	0	1,128	1,364
	Variances below £500k	673	(1,761)	(1,680)
HEALTH, WELLBEING AND ADULTS TOTAL		**2,099**	**225**	**(316)**
PLACE				
Public Realm	Additional Pay and Display and PCN Income	(3,821)	(3,721)	(1,100)
	Street lighting - additional costs relating to Street Lighting energy consumption	784	784	0
	Savings due to reduced unit cost of landfill during the Energy Recovery Facility commissioning phase	(1,205)	(1,205)	0
	NSO and Bulky Waste funding	(600)	(600)	0
	Variances below £500k	(508)	(320)	30
PLACE TOTAL		**(5,350)**	**(5,062)**	**(1,070)**
GATEWAY, STRATEGY AND ENGAGEMENT				
	Increase in the number of households being placed in the Private Rental Sector. And an increase in costs associated with voids, repairs and agency staff	1,267	1,418	0
	Variances below £500k	(265)	99	(1,709)
GATEWAY, STRATEGY AND ENGAGEMENT TOTAL		**1,002**	**1,517**	**(1,709)**

Department	**Major Variances over £500k**	**Quarter 3** **£'000s**	**Quarter 2** **£'000s**	**2017/18 Outturn** **£'000s**
RESOURCES				
Digital & IT	ICT - Saving on the cost of the ICT contract and capitalisation of salaries	(677)	(677)	(1,779)
Commissioning and Procurement	SEN transport & demand pressure	2,152	1,585	3,080
Finance, Investment & Risk	Revenues and Benefits - non-recovery of parking income and previous savings not realised	100	760	0
	Variances below £500k	443	377	(1,460)
RESOURCES TOTAL		**2,018**	**2,045**	**(159)**
TOTAL DEPARTMENTAL OVERSPEND		**8,900**	**6,267**	**5,910**
CORPORATE ITEMS				
	Use of contingency budget	(2,000)	(2,000)	(1,000)
	Revolving Investment Fund earnings	(2,200)	(1,800)	0
	Unachievable Contract Review Savings	800	1,500	864
	Unachievable Digital and Advertising Income	750	750	0
	Additional Grant Funding Awarded in Year	(1400)	(1,400)	(7,031)
	Commercial Rent Income	(1,450)	(1,450)	0
	Other Minor Variations	(600)	(600)	0
CORPORATE ITEMS TOTAL		**(6,100)**	**(5,000)**	**(7,167)**
SUB TOTAL BEFORE EXCEPTIONAL ITEMS		**2,800**	**1,266**	**2,096**
Exceptional Items	UASC, UASC Leaving Care and All Rights Exhausted costs	2,666	2,279	2,936
TOTAL VARIANCE		**5,466**	**3,545**	**5,032**

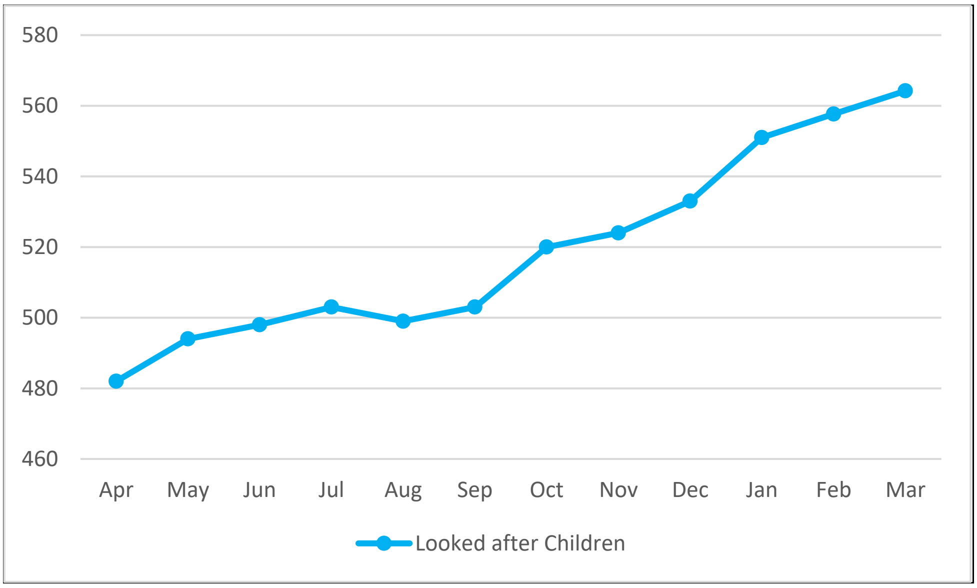
3.3 The main areas of pressure are within the Children, Families and Education department, with an overspend in 2018/19 of £9.131m. These are also the areas that local authorities across the country are grappling with and are typically showing much larger percentage overspends.

3.4 As a result of the Ofsted inspection in the summer of 2017 £10.784m was added to the budgets for Children's Services for 2018/19 to cover costs associated with additional placements, additional staff resources for social work and legal costs.

3.5 Children's Services is still continuing to see pressures due to the number of cases that are being dealt with but also as a result of the transition whilst the new teams are being put into place, and recruitment to roles continues. Funding for transformation will continue to be utilised where possible to fund Children's Services.

3.6 The numbers of Looked After Children (LAC) continues to face an upward trend, as set out in graph 1 below. The Number of LAC now stands at551 in January 2019, although the projected rate of increase in February and March is expected to reduce as new commissioning arrangements are put in place.

Graph 1 – Looked After Children Numbers



3.7 The exceptional items reported at Quarter 3 relate to the overspend against budget for UASC, leaving care costs for former UASC and Appeal Rights Exhausted costs which the Council is continuing to lobby the government to fund as detailed in the previous quarters report. The UASC pressure continues to be as a result of the Home Office only funding a fixed rate per child, which does not accurately reflect our costs for looking after those children, nor the costs of acting as a 'gateway' authority. The fall in the number of UASC has exacerbated this issue. While our numbers of UASC are decreasing, direct and indirect service provision costs are not decreasing at the same rate. Options to reduce this funding gap through the reduction of costs and maximising Home Office income are still continuing to be explored.

3.8 The Home Office have said that they are committed to reviewing funding rates and we have contributed to their call for evidence. At this stage, there is no date for when there will be an outcome of that review. The Home Office have indicated in a schedule the Council is required to complete regarding UASC that this year's rates will be the same as last year and therefore our forecast reflects that.

3.9 Additionally, Croydon acting as a 'gateway' authority continues to fund provision for UASC both leaving care and for those who have exhausted all appeal rights. This additional expenditure further increases the cost of exceptional items for the council.

3.10 The Improved Better Care Funding (IBCF) is for a three year period and was allocated in two tranches. Tranche 1 was allocated in spending review 2015 and formed part of adult social care core funding to mitigate the reduction in core grant funding. This allocation was built into base budgets and enabled protection from cuts. Tranche 2 was allocated in the spring 2017 budget. This money will be spent across the health and social care sector to ensure the criteria of the funding of Meeting Adult Social Care Needs, Supporting Hospital Discharge and Stabilising the Social Care provider Market are met.

3.11 The Local Government Association has launched a nationwide consultation "The lives we want to lead" to start a desperately-needed debate on how to pay for adult social care and rescue the services caring for older and disabled people from collapse.

3.12 Years of significant underfunding of councils, coupled with rising demand and costs for care and support, have combined to push adult social care services to breaking point.

3.13 Since 2010 councils have had to bridge a £6 billion funding shortfall just to keep the adult social care system going. In addition, the LGA estimates that adult social care services face a £3.5 billion funding gap by 2025, just to maintain existing standards of care, while latest figures show that councils in England receive 1.8 million new requests for adult social care a year – the equivalent of nearly 5,000 a day.

3.14 Decades of failure to find a sustainable solution for how to pay for adult social care in the long-term, and the Government's recent decision to delay its long-awaited green paper on the issue, has prompted council leaders to take action.

3.15 Short-term cash injections have not prevented care providers reluctantly closing their operations or returning contracts to councils resulting in less choice and availability to a rising number of people with care needs. This is increasing the strain on an already-overstretched workforce and unpaid carers, and leading to more people not having their care needs met.

3.16 Increased spending on adult social care – which now accounts for nearly 40 per cent of total council budgets – is threatening the future of other vital council services, such as parks, leisure centres and libraries, which help to keep people well and reducing the need for care and support and hospital treatment.

3.17 The LGA consultation set out options for how the system could be improved and the radical measures that need to be considered given the scale of this funding crisis. Possible solutions to paying for adult social care in the long-term outlined in the consultation include:

- Increasing income tax for taxpayers of all ages: a 1p rise on the basic rate could raise £4.4 billion in 2024/25
- Increasing national insurance: a 1p rise could raise £10.4 billion in 2024/25
- A Social Care Premium – charging the over-40s and working pensioners an earmarked contribution (such as an addition to National Insurance or another mechanism). If it was assumed everyone over 40 was able to pay the same amount (not the case under National Insurance), raising £1 billion would mean a cost of £33.40 for each person aged 40+ in 2024/25.
- Means testing universal benefits, such as winter fuel allowance and free TV licenses, could raise £1.9 billion in 2024/25
- Allowing councils to increase council tax – a one per cent rise would generate £285 million in 2024/25

3.18 The consultation - the biggest launched by the LGA – was seeking the views of people and organisations from across society on how best to pay for care and support for adults of all ages and their unpaid carers, and aims to make the public a central part of the debate. The LGA responded to the findings in the autumn to inform and influence the Government's green paper and spending plans.

3.19 The LGA green paper – alongside funding issues – was also seeking to start a much-needed debate about how to shift the overall emphasis of our care and health system so that it focuses far more on preventative, community-based personalised care, which helps maximise people's health, wellbeing and independence and alleviates pressure on the NHS.

3.20 The pressure on children's social care is now becoming apparent. Research conducted by the Local Government Association (LGA) has revealed that children's services are at breaking point with 75% of councils overspending to keep vital protections in place. The review found that in 2015/16 councils surpassed their children's social care budgets by

£605m in order to protect children at immediate risk of harm. There has been an increase of 140% in child protection enquiries over the last 10 years with enquiries up to more than 170,000 in 2015/16.

3.21 The chair of the LGA's Children and Young People Board, has recently said: "The fact that the majority of councils are recording high levels of children's services overspend in their local areas shows the sheer scale of the funding crisis we face in children's social care, both now and in the near future."

3.22 There are calls on the government to introduce a fairer funding system based on demand for services. Referrals to children's services have increased and the number of children subject to child protection plans has doubled in the last decade. Government needs to take note on this issue sooner rather than later, otherwise will be sleepwalking into another funding crisis for services that less fortunate young people rely on. LGA noted that a nationwide children's services funding gap of £2bn will exist by 2020. As detailed in this report, we are continuing to experience rising demand and costs.

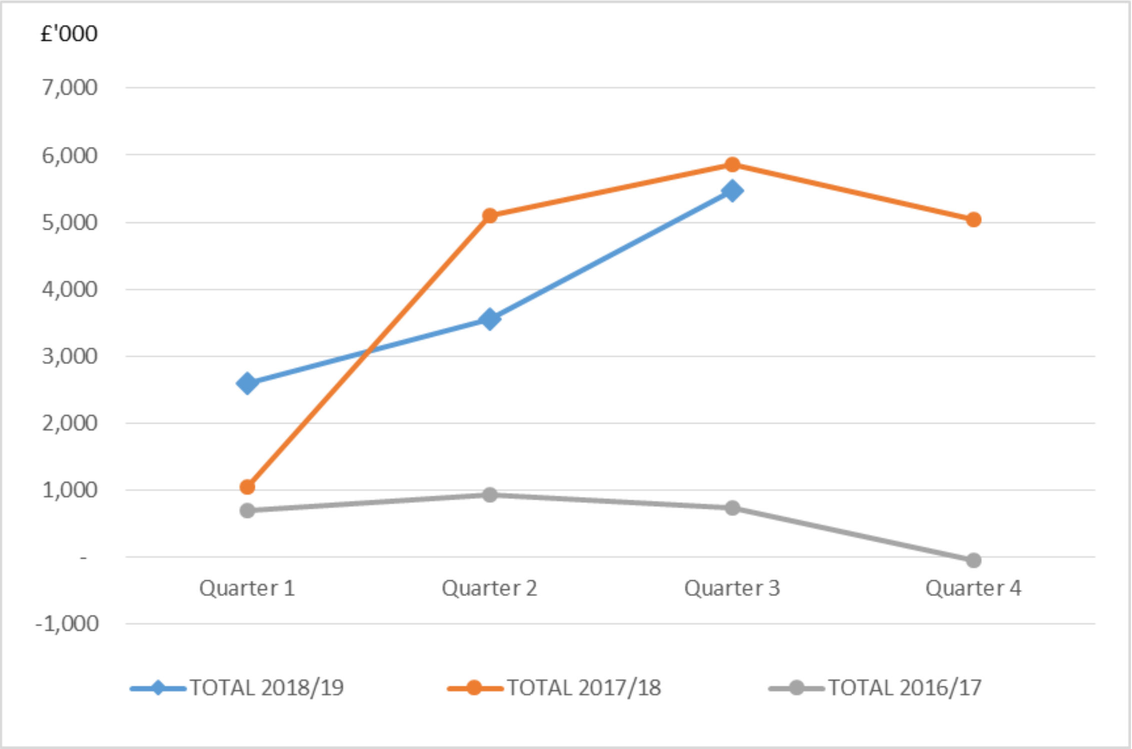
3.23 This year to date, Children's Social Care residential assessments have increased by 180%. Comparing the same period (Q3) last year, the number of children with a Child Protection Plan has also increased by 43%, contributing towards the reported overspend.

3.24 Further to the approval of the Asset Investment Strategy by Cabinet in September, the Council has purchased the Colonnades Retail and Leisure Park on the Purley Way. This purchase will provide important revenue savings to the Council of around £1.4m a year net of interest and other costs, and help protect the delivery of core services to residents.

4 GENERAL FUND REVENUE SUMMARY POSITION 2018/19

4.1 Graph 2 below shows the forecast variance for 2018/19 compared to previous years. The Council continues to manage its finances through the rigorous monitoring and control of spending within the framework of the Financial Strategy.

Graph 2 – Forecast Variances



5 VIREMENTS OVER £500K REQUIRING CABINET APPROVAL

5.1 There are no virements requiring approval.

6. HOUSING REVENUE ACCOUNT (HRA)

6.1 The current forecast for the HRA is for an estimated underspend of £1.870m. The key variances being reported at Quarter 3 are summarised in Table 3 below:

Table 3 – 2018/19 Main variances within the HRA

Department	Major Variances	Quarter 3 £'000s	Quarter 2 £'000s	2017/18 Outturn £'000s
HRA – HOUSING NEEDS	Right to Buy sales are lower than forecasted, resulting in more rental income received in year	(569)	(182)	(247)
HRA – DISTRICT CENTRES AND REGENERATION	Renewed lease agreement for Concorde, Sycamore and Windsor at reduced cost, and lower than anticipated spend on responsive repairs	(1,301)	(293)	(1,734)
TOTAL HRA PROJECTED VARIANCE		**(1,870)**	**(475)**	**(1,981)**

6.2 Longer-term budget planning for the HRA is continuing to take place and includes reviewing the impact of the Housing and Planning Act 2016 to understand and model the impact of future rent reductions, and build a sustainable budget for revenue and capital spend within the HRA. In particular, the recent announcement about the removal of the HRA borrowing cap will be a key consideration.

6.3 As previously reported to this Cabinet, the charity Croydon Affordable Housing will be responsible for managing a number of affordable rented properties, working alongside Brick by Brick and SquareStone Hub to deliver these additional properties. This is in addition to the 96 street properties that were purchased under the ETA (Emergency Temporary Accommodation) programme that have been transferred to Croydon Affordable Homes LLP and the additional street properties that are currently being purchased. A further 199 properties have been purchased towards an expected 250 properties for use as temporary accommodation. These properties are due to be transferred to Croydon Affordable Homes LLP in March 2019.

6.4 Ongoing fire safety works are continuing and will continue to be funded from the HRA as a result of the government failing to provide funding for these essential works. As previously reported this investment will be in the region of £10m, with around £5.0m forecast for 2018/19.

7. FORECAST CAPITAL OUTTURN POSITION

7.1 The high level Capital programme for 2018/19 is shown in Table 4 below, full details of all projects are shown in appendix 2. A forecast underspend of **£74.684m** is projected for 2018/19.

Table 4 – 2018/19 Capital Programme

Original 2018/19 Budget		Carry forward from 2017/18	Re-profiling / Increases in Schemes	Revised Budget 2018/19	Actuals April-Dec 2018	Forecast Outturn	Forecast Variance
£'000s		**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
0	HEALTH, WELLBEING AND ADULTS	579	0	579	143	379	(200)
35,527	CHILDREN, FAMILIES AND EDUCATION	26,822	(29,254)	33,095	14,417	24,126	(8,969)
33,850	GATEWAY, STRATEGY & ENGAGEMENT	8,254	86,464	128,568	64,123	83,210	(45,358)
224,984	PLACE	24,822	(111,917)	137,889	56,518	123,311	(14,578)
19,105	RESOURCES	2,973	88,691	110,769	84,352	110,965	196
313,466	**GENERAL FUND TOTAL**	**63,450**	**33,984**	**410,900**	**219,553**	**341,991**	**(68,909)**
32,385	**HOUSING REVENUE ACCOUNT**	**4,715**	**0**	**37,100**	**10,667**	**31,325**	**(5,775)**
345,851	**CAPITAL PROGRAME TOTAL**	**68,165**	**33,984**	**448,000**	**230,210**	**373,316**	**(74,684)**

7.2 The main reported variances on projects within the Council's capital programme are as follows:

7.2.1 **Affordable Housing** (£40.791m) – This underspend is a result of savings achieved on the estimated purchase costs of properties, as well as the timing of purchases in this financial year. Only 199 have been purchased, against a target of 250. The remaining 51 will be purchased in the next financial year.

7.2.2 **Education Expansion Programme** (£8.969m) – The underspend projected is a result of slippage across the programme, and works will be completed in the remaining years of the expansion programme.

7.2.3 **Bereavement Services** (£2.390m) – This is a combination of delays in identifying suitable land to purchase for additional burial capacity, as well as delays in the incinerator replacement project, which will commence later this year.

7.2.4 **Blackhorse Road Bridge** (£3.648m) – TfL is the lead authority on the commissioning of the two bridges. The programme slippage is due to issues identified from the feasibility studies and engineering difficulties with construction. The construction is expected to be substantially completed and the road opened to traffic by Dec 2019 and the entire project completed by May 2020.

7.2.5 **Disabled Facilities Grant** (£2.177m) – Due to DFG spend restrictions; the council is unable to expand the team in line with the increase in grant allocation. Spend per property is capped at £30k, currently the average spend is £10k per property. The remaining amount will be slipped to 2019/20.

7.2.6 **Fieldway Cluster (Timebridge Community Centre) -** (£3.704m) – Forecast spend is lower than budget. The remaining amount is to be slipped to 2019/20.

7.3 The capital programme continues to be funded from a number of different funding streams and makes use of capital receipts to support the delivery of the financial strategy. Table 5 below details the funding for the original 2018/19 budget, the revised programme and the forecast outturn.

Table 5 – Sources of capital funding

Funding	**Original 2018/19 budget £'000s**	**Revised 2018/19 budget £'000s**	**Forecast 2018/19 Outturn £'000s**
School Condition Funding (Education)	3,770	3,770	3,770
EFA Invest to Save (Education)	969	969	969
TFL LIP and other funding	2,462	2,462	2,462
CIL	6,800	7,300	7,300
CIL local meaningful proportion	1,200	1,200	1,200
Disabled Facilities Grants	2,400	3,494	1,317
Borrowing - (RIF)	194,929	159,140	156,660
LLP Receipt	0	122,391	81,600
Growth Zone	4,000	4,574	4,574
S106	260	2,637	580
Borrowing	96,676	102,963	81,559
GENERAL FUND	**313,466**	**410,900**	**341,991**
Major Repairs Allowance	21,209	25,924	25,924
HRA - Revenue Contribution	3,718	3,718	3,718
HRA - Use Of Reserves	7,458	7,458	1,683
HRA FUNDING	**32,385**	**37,100**	**31,325**
TOTAL FUNDING	**345,851**	**448,000**	**373,316**

7.4 The majority of the general fund borrowing is to fund the education programme due to the inadequate level of funding received from the Government and the essential need to provide school places in the borough.

7.5 The estimates within the capital programme are reviewed throughout the year, and the revised budget has been adjusted across financial years to remain consistent with expected delivery.

8. FINANCIAL MANAGEMENT

8.1 Council Tax and Business Rates are two key income streams for the Council. Collection rates for the current year are shown in Table 6 below:

Table 6 - Council Tax and Business Rates collection

	Target collection– year to date %	Actual collection – year to date %	Variance to target – year to date %
Council Tax	81.15	81.20	0.05 favourable
Business Rates	84.01	84.75	0.74 favourable

Council Tax

8.2 At the end of quarter 3, Council Tax collection is above target by 0.05%. The Council remains on course to achieve its in-year collection target of 97.25%, which is an increase of 0.05% above the previous year's target of 97%.

Business Rates

8.3 At the end of quarter 3, Business Rates collection is 0.74% above target, which is the result of a large business paying their year's liability in full, rather than in instalments. The Council is on target to achieve its full-year collection target of 98.75%.

Local Discretionary Relief

8.4 In March 2017, the Government announced that funding would be made available across 2017/18 to 2021/22 to protect businesses from increases in business rates caused by the revaluation of business property introduced in 2017/18. The Council's local discretionary scheme was approved by Cabinet on 26 February 2018, which will distribute relief of up to the £870,000 in 2018/19 – the amount of funding made available to the Council. Table 7 sets out current performance:

Table 7 – Distribution of Local Discretionary Relief

Business Type (based on rateable value)	Anticipated number	Anticipated amount £'000s	Actual number – YTD	Actual relief – YTD £'000s
Small Businesses	2,038	352	1,778	308
Medium businesses	678	524	600	449
Borough Total	**2,716**	**876**	**2,378**	**757**

8.5 Amounts of relief distributed in year are lower than anticipated because business premises cease to be eligible for this relief if there a change in occupation from the time the revaluation took place (April 2017). The council will receive funding from the MHCLG to match the Council's cost of relief awarded for the year, estimated at £757,000.

9. CONSULTATION

9.1 All departments have been consulted during the preparation of this report.

10. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

10.1 This report sets out the current financial position of the Council, and actions being taken to address the projected overspend.

The report is submitted by: Lisa Taylor – Director of Finance, Investment & Risk Resources (Section 151 officer)

11. LEGAL CONSIDERATIONS

11.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the Council is under a duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.

11.2 The Local Government Act 1972 Section 151 states that each local authority has a statutory duty to make arrangements for the proper administration of their financial affairs. In addition, the Accounts and Audit Regulations 2015 impose an explicit duty on the Council to ensure that financial management is adequate and effective and that they have a sound system of internal control, including arrangements for the management of risk.

11.3 “Proper administration” in the context of Section 151, referenced above, is not statutorily defined; however, there is guidance, issued by CIPFA on the responsibilities of the Chief Finance Officer (CFO). This states that local authorities have a corporate responsibility to operate within available resources and the CFO should support the effective governance of the authority through development of corporate governance arrangements, risk management and reporting framework. Regular monitoring of the Council’s actual expenditure to budget and forecasting of the expenditure for the full year is part of the proper administration and governance of the Council.

11.4 Statutory Guidance on the Flexible Use of Capital Receipts has been issued under the Local Government Act 2003. By Section 15(1) the Council is required to have regard to this guidance. The guidance applies with effect from 1 April 2016 to 31 March 2019. The guidance should be read alongside the Flexible use of capital receipts Direction made by the MHCLG in exercise of its powers under the Local Government Act 2003 Sections 16(2) (b) and 20.

11.5 Provision is made within the Local Government and Finance Act 1988 (“the Act”) as amended (including by section 69 of the Localism Act) for the Council to grant discretionary rate relief subject to parameters as set out within the Act and detailed within the proposed 2018/19 policy. Such rate relief terms are also subject to the terms of the Section 31Grant from Government. The Non-Domestic Rating (Discretionary Relief) Regulations 1989 require authorities to provide ratepayers with at least one year’s notice in writing before any decision to revoke or vary a decision so as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect at the end of a financial year.

Approved by: Sandra Herbert Head of Litigation and Corporate Law for and on behalf of Sean Murphy Director of Law and Governance and Deputy Monitoring Officer.

12 HUMAN RESOURCES IMPACT

12.1 The items from the savings packages and action plans included in the report or those that need to be developed in response to the report are likely to have an impact on LBC staff as proposals are developed. These can vary from posts not being re-filled or deleted through restructures proposals leading to possible redundancies. Where that is the case, the Council's existing policies and procedures must be observed and HR advice must be sought.

12.2 HR will continue to work closely with service areas on any in year proposals for savings or service redesign that affect the workforce. All proposals will be managed within the council HR procedures and policies and be subject to formal consultation with the trades unions.

Approved by: Sue Moorman, Director of Human Resources

13 EQUALITIES IMPACT

13.1 The key service areas that currently have overspend in budgets are Children's Social Care and Adults Social Care. These are areas that provide services to customers from equality groups that share protected characteristics; such as younger people (Looked after Children), people with a disability (Children with special educational needs), older people and BME groups. There are a number of known equality and inclusion issues in the above mentioned service areas such as an over-representation of BME young people in looked after children, over-representation of BME groups and other vulnerable groups, young children with a disability who have a special educational needs and their carers, vulnerable older people with complex needs etc. The mitigating actions, on these specific services are unlikely to affect these groups more than the population as a whole. In fact, a number of those will affect these groups less.

13.2 In addition, there are policy changes made by Government that will impact on the in–year budget, in particular the delay in the implementation of the Immigration Act. The Council will work to ensure key services to Croydon residents are protected wherever possible. However, it is likely that some of the areas affected will be a reduction in Home Office funding for UASC, a cut to the Public Health Grant and the Youth Justice Board grant and changes to the Welfare and Housing Bill. There is a likelihood that these cuts will have a more significant adverse impact on some groups that share a protected characteristic such as age, race and disability. Changes to the Welfare and Housing Bill are also likely to have an adverse negative impact on the more vulnerable customers.

13.3 In order to make sure that our vulnerable customers that share a "protected characteristic" are not disproportionately affected by the actions proposed to reduce in year budget overspend we will ensure that the delivery of the cost reduction initiatives are informed by a robust equality analysis of the likely detrimental impact it could have on all services users and in particular those that share a "protected characteristic".

13.4 If the equality analysis suggests that the cost reductions initiatives are likely to disproportionately impact on a particular group of customers, appropriate mitigating actions will be considered. This will enable the Council to ensure that it delivers the following objectives that are set out in our Equality and Inclusion Policy:

- To increase the rate of employment for disabled people, young people, over 50s and lone parents who are furthest away from the job market
- To increase the support offered to people who find themselves in a position where they are accepted as homeless especially those from BME backgrounds and women
- To reduce the rate of child poverty especially in the six most deprived wards
- To improve attainment levels for white working class and Black Caribbean heritages, those in receipt of Free School Meals and Looked After Children, particularly at Key Stage 2 including those living in six most deprived wards

- To increase the percentage of domestic violence sanctions
- To increase the reporting and detection of the child sexual offences monitored
- To reduce the number of young people who enter the youth justice system
- To reduce social isolation among disabled people and older people
- To improve the proportion of people from different backgrounds who get on well together
- To reduce differences in life expectancy between communities

Approved by: Yvonne Okiyo, Equalities Manager

14 ENVIRONMENTAL IMPACT

14.1 There are no direct implications contained in this report.

15 CRIME AND DISORDER REDUCTION IMPACT

15.1 There are no direct implications contained in this report.

16 REASONS FOR RECOMMENDATION /PROPOSED DECISION

16.1 Given the current in year-position Executive Leadership Team have been tasked to identify options to achieve a balanced year-end position.

17 OPTIONS CONSIDERED AND REJECTED

17.1 Given the current in year-position Executive Leadership Team have been tasked to identify options to achieve a balanced year-end position. The alternative would be to overspend and draw down on balances, which would not be prudent.

CONTACT OFFICER:	Lisa Taylor – Director of Finance, Investment & Risk (Section 151 Officer). Tel number 020 8726 6000 ext. 61438
BACKGROUND PAPERS:	None
APPENDICES:	Appendix 1 – Revenue variations over £100k with explanation Appendix 2 – 2018/19 Q2 Capital Outturn Forecast

CHILDREN, FAMILIES AND EDUCATION

Division	Explanation of variance	Qtr 3 Amount £'000s	Qtr 2 Amount £'000s
Early Help & CSC Directorate	Unachievable savings offset by underspends in staffing	384	382
	Sub-Total Early Help and CSC Directorate	**384**	**382**
Care Planning Service	Increase in costs relating to Section 17 expenditure due to increased demand	753	383
	Other Minor Variances < £100k	(44)	93
	Sub-Total Care Planning Service	**709**	**476**
Corporate Parenting	Increase in legal costs relating to assessments.	1,407	1,407
	Increase in the number of external placements and court driven allowances	3,973	1,734
	Increase in payments for birthdays, holidays, subsistence care and fostering costs	159	200
	Costs relating to the number of agency and supernumerary staff in looked after children	1,177	1,432
	Other Minor Variances < £100k	827	1,089
	Sub-Total Corporate Parenting	**7,543**	**5,862**
Safeguarding & LAC Quality Assurance	Additional cost of locums in permanent posts within Safeguarding and Quality Assurance	140	140
	Other Minor Variances < £100k	98	93
	Sub-Total Safeguarding and LAC Quality Assurance	**238**	**233**
MASH and Assessments	Agency staff costs for maternity and long term sickness and increase in costs relating to Section 17 expenditure due to increased demand	270	274
	Early Help Service realignment costs	0	(122)
	Other Minor Variances < £100k	60	132
	Sub-Total MASH and assessments	**330**	**284**
Adolescent Services	Unbudgeted costs relating to the Safer London Contract	126	126
	Staff Vacancies	(150)	0
	Other Minor Variances < £100k	0	75
	Sub-Total Adolescent Services	**(24)**	**201**
Education & Youth Engagement	Other Minor Variances < £100k	3	24
	Sub-Total Education & Youth Engagement	3	**24**
Children, Families & Education Directorate	Other Minor Variances < £100k	111	116
	Sub-Total Children, Families & Education Directorate	**111**	**116**
Best Start Family Solutions Service	Other Minor Variances < £100k	(138)	0
	Sub-Total Best Start Family Solutions Service	**(138)**	0
Early Years Services	Other Minor Variances < £100k	(23)	(36)
	Sub-Total Early Years Services	**(23)**	**(36)**
	CHILDREN, FAMILIES AND EDUCATION	**9,131**	**7,542**

HEALTH, WELLBEING AND ADULTS

Division	Explanation of variance	Qtr 3 Amount £'000s	Qtr 2 Amount £'000s
25-65 Disability Service	Residential Costs for 7 "Surrey and Borders" clients that were formally Continuing Health Care funded	2,118	2,118
	Use of Transformation funding to deliver future savings	(1,000)	0
	Overspend on domiciliary care associated with increased client numbers and increased supported living costs plus the additional cost of 36 clients moving from 0-25 Disability Service. This also includes £750k of unachievable savings	3,091	2,173
	Additional income from client contribution and recharges	(225)	(237)
	Other Minor Variances > £100k	90	132
	Sub-Total 25-65 Disability Service	**4,074**	**4,186**
0-25 CWD Service	Increase in family support and high-cost placements	394	0
	Sub-Total 0-25 CWD Service	**394**	0
	Improved Better Care funding	(2,000)	(2,000)
	Unachievable savings relating to ICT transformation project	622	0
	Overspend on legal fees and record storage	215	0
	Other Minor Variances > £100k	338	(688)
	Sub-Total Adult Social Care Directorate	**(825)**	**(2,688)**
Mental Health	Increase in cost and number of placements	595	567
	Other Minor Variances > £100k	50	51
	Sub-Total Mental Health	**645**	**618**
Over 65 Commissioning	Contract Costs higher than anticipated	240	240
	Other Minor Variances > £100k	(81)	29
	Sub-Total Over 65 Commissioning	**159**	**269**
Over 65 Providers	Use of Transformation funding to deliver Out of Hospital program	(2,000)	(2,000)
	Other Minor Variances > £100k	(19)	(119)
	Sub-Total Over 65 Providers	**(2,019)**	**(2,119)**
Safeguarding & Quality Assurance	Vacant posts and reduced agency staff usage	(327)	(131)
	Sub-Total Safeguarding & Quality Assurance	**(327)**	**(131)**
Disability Commissioning & Brokerage	"Mind in Croydon Employment support & Welfare benefits".	0	118
	Other Minor Variances > £100k	(37)	53
	Sub-Total Disability Commissioning & Brokerage	**(37)**	**171**
Day & Employment Services	Other Minor Variances > £100k	41	(81)
	Sub-Total Day and Employment Services	**41**	**(81)**
Transformation & Clienting	Other Minor Variances < £100k	(6)	0
	Sub-Total Transformation and Clienting	**(6)**	0
	HEALTH, WELLBEING AND ADULTS	**2,099**	**225**

PLACE DEPARTMENT

Division	Explanation of variance	Qtr 3 Amount £'000s	Qtr 2 Amount £'000s
District Centres and Regeneration	Parks – Unrealised income	0	100
	Other Minor Variances < £100k	60	18
	Sub-Total District Centres & Regeneration	**60**	**118**
Planning	Building control trading income lower than budget due to reduced development activity related to greater market uncertainty	202	343
	Special/one-off PPA income from Whitgift & Woburn realised in 18/19	(186)	(381)
	Spatial planning capital recharges	(183)	(159)
	Other Minor Variances < £100k	0	(60)
	Sub-Total Planning	**(167)**	**(257)**
Economic Growth	Apprenticeship Levy	0	100
	Other Minor Variances < £100k	55	35
	Sub-Total Economic Growth	**55**	**135**
Public Realm	Parking - Increase in income	(3,821)	(3,721)
	Licensing - under-recovery of licencing income	100	100
	Shortfall in street trading and market trading fees	104	104
	Street lighting – energy costs	784	784
	Waste collection savings	(329)	(329)
	Reduction in costs of energy for interim period results in savings on landfill waste tonnages costs	(1,205)	(1,205)
	Capitalisation of salaries for bin mobilisation costs	(222)	0
	Other Minor Variances < £100k	(109)	(191)
	Sub-Total Public Realm	**(4,698)**	**(4,458)**
Directorate	NSO and Bulky Waste funding	(600)	(600)
	Sub-Total Directorate	**(600)**	**(600)**
	PLACE DEPARTMENT	**(5,350)**	**(5,062)**

GATEWAY, STRATEGY AND ENGAGEMENT

Division	Explanation of variance	Qtr 3 Amount £'000s	Qtr 2 Amount £'000
Housing Need	Increase in the number of households being placed in the Private Rental Sector. Increased costs associated with voids, repairs and agency staff	1,267	1,418
	Other Minor Variances < £100k	(265)	99
	GATEWAY, STRATEGY AND ENGAGEMENT DEPARTMENT	**1,002**	**1,517**

RESOURCES AND CHIEF EXECUTIVES DEPARTMENT

Division	**Explanation of variance**	**Qtr 3 Amount £'000s**	**Qtr 2 Amount £'000s**
Facilities Management and Support Services	Business Support - Staffing levels exceeding SLA agreement levels, partially mitigated by vacancies	276	228
	Favourable movement on rents payable and increased rental income	(282)	0
	Other Minor Variances < £100k	(28)	(68)
	Sub-Total Facilities Management and Support Services	**(34)**	**160**
Digital and IT	ICT - Saving on the cost of the ICT contract and capitalisation of salaries	(677)	(677)
	Other Minor Variances < £100k	110	110
	Sub-Total Digital and IT	**(567)**	**(567)**
Human Resources	Other Minor Variances < £100k	(22)	(22)
	Sub-Total Human Resources	**(22)**	**(22)**
Commissioning and Procurement	SEN – increased transport costs due to service demand and policy change	2,152	1,585
	Agency Spend associated with the Brokerage Team	110	0
	Agency rebate	(497)	0
	Community Fund overspend against Budget	260	0
	Other Minor Variances < £100k	27	(245)
	Sub-Total Commissioning and Improvement	**2,053**	**1,340**
Finance Investment and Risk	Revenues and Benefits - non-recovery of parking income and previous savings not realised	100	760
	Other Minor Variances < £100k	29	(86)
	Sub-Total Finance Investment and Risk	**129**	**674**
Law and Governance	Other Minor Variances < £100k	135	135
	Sub-Total Law and Governance	**135**	**135**
Chief Executive’s Department	Other Minor Variances < £100k	325	325
	Sub-Total Chief Executive’s Department	**325**	**325**
	RESOURCES AND CHIEF EXECUTIVES DEPARTMENT	**2,018**	**2,045**

CORPORATE ITEMS

Division	**Explanation of variance**	**Qtr 3 Amount £'000s**	**Qtr 2 Amount £'000s**
Corporate Items	Use of contingency budget	(2,000)	(2,000)
	Revolving Investment Fund earnings	(2,200)	(1,800)
	Unachievable Contract Review Savings	800	1,500
	Unachievable Digital and Advertising Income	750	750
	Additional Grant Funding Awarded in Year	(1400)	(1,400)
	Commercial Rent Income	(1,450)	(1,450)
	Other Minor variations	(600)	(600)
	Total Forecast Variance – Corporate	**(6,100)**	**(5,000)**
	Total Overspend before Exceptional Items	**2,800**	**1,266**

EXCEPTIONAL ITEMS

Division	**Explanation of variance**	**Qtr 3 Amount £'000s**	**Qtr 2 Amount £'000s**
	Unaccompanied Asylum Seekers Grant lower than associated costs	1,471	1,311
	Leaving Care Unaccompanied Asylum Seekers not funded	331	700
	All Rights Exhausted associated costs – not funded	864	448
	Total Forecast Variance – Exceptional	**2,666**	**2,279**
	Total Overspend after Exceptional Items	**5,466**	**3,545**

2018/19 Q2 Capital Outturn Forecast

Appendix 2

Category	2018/19 Original Budget £'000s	2017/18 carry forward £'000s	In Year Budget Adjusts. £'000s	2018/19 Revised Budget £'000s	2018/19 Q3 Actual £'000s	2018/19 Outturn Forecast £'000s	Forecast Variance £'000s
Adults ICT	0	579	0	579	143	379	(200)
Health, Wellbeing and Adults Sub Total	**0**	**579**	**0**	**579**	**143**	**379**	**(200)**
Education – Academies Programme	0	38	0	38	0	38	0
Education – DDA	0	6	0	6	0	2	(4)
Education – Fire Safety Works	2,000	0	0	2,000	0	730	(1,270)
Education – Fixed term expansion	0	1,760	243	2,003	574	1,230	(773)
Education – Major Maintenance	3,020	1,567	(933)	3,654	1,380	2,775	(879)
Education – Miscellaneous	2,118	1,259	(2,215)	1,162	53	558	(604)
Education – Permanent Expansion	11,639	13,332	(14,220)	10,751	6,863	8,004	(2,747)
Education – Secondary Schools Estate	0	318	(167)	151	144	170	19
Education – Special Educational Needs	16,750	5,114	(12,212)	9,652	3,849	7,191	(2,461)
Education – SEN Centre of Excellence	0	0	250	250	0	0	(250)
Onside Youth Zone	0	3,428	0	3,428	1,554	3,428	0
Children, Families and Education Sub Total	**35,527**	**26,822**	**(29,254)**	**33,095**	**14,417**	**24,126**	**(8,969)**
Bereavement Services	1,360	1,323	0	2,683	10	293	(2,390)
Disabled Facilities Grants	2,400	630	464	3,494	413	1,317	(2,177)
Affordable Housing Programmes	30,090	6,301	86,000	122,391	63,700	81,600	(40,791)
Gateway, Strategy and Engagement Sub Total	**33,850**	**8,254**	**86,464**	**128,568**	**64,123**	**83,210**	**(45,358)**
Blackhorse Lane Bridge	1,755	1,900	0	3,655	7	7	(3,648)
Brick by Brick programme	164,839	10,301	(100,000)	75,140	34,888	72,260	(2,880)
Community Ward Budgets	576	120	0	696	0	576	(120)
Devolution initiatives	782	0	0	782	0	782	0
Empty Homes Grants	500	0	0	500	68	500	0
Fairfield Halls – Council	0	721	0	721	109	827	106
Feasibility Fund	330	275	0	605	238	407	(198)
Fieldway Cluster (Timebridge Community Centre)	4,000	0	0	4,000	0	296	(3,704)
Growth Zone	4,000	474	100	4,574	2,052	4,574	0
Highways	5,000	0	0	5,000	709	5,000	0
Highways – flood water management	410	0	0	410	0	410	0
Highways – bridges and highways structures	793	0	0	793	30	793	0
Highways – Tree works	179	0	0	179	31	179	0
Measures to mitigate travellers in parks and open spaces	0	95	0	95	0	24	(71)
Leisure centres equipment upgrade	1,315	976	0	2,291	0	2,291	0

Category	2018/19 Original Budget £'000s	2017/18 carry forward £'000s	In Year Budget Adjusts. £'000s	2018/19 Revised Budget £'000s	2018/19 Q3 Actual £'000s	2018/19 Outturn Forecast £'000s	Forecast Variance £'000s
Libraries investment – general	130	0	82	212	0	212	0
Libraries investment – South Norwood library	555	0	0	555	0	30	(525)
New Addington Leisure Centre	24,386	1,633	(13,322)	12,697	7,179	10,368	(2,329)
New Addington wellbeing centre – borrowing element	200	0	0	200	0	200	0
New waste contract – vehicles	7,106	1,940	0	9,046	6,267	9,067	21
Old Ashburton Library	0	0	0	0	138	138	138
Parking	600	20	(200)	420	171	1,125	705
Public Realm	0	2,452	(715)	1,737	1,319	1,737	0
Salt Barn	0	524	0	524	550	591	67
Safety – digital upgrade of CCTV	500	0	0	500	0	200	(300)
Section 106 Schemes	0	1,562	1,075	2,637	330	580	(2,057)
Signage	25	0	0	25	0	25	0
South Norwood regeneration	500	0	0	500	0	129	(371)
Surrey Street Market	0	25	67	92	1	92	0
TfL LIP	2,462	0	0	2,462	1,224	2,462	0
Thornton Heath Public Realm	0	1,254	0	1,254	1,057	1,254	0
Unsuitable Housing Fund	0	250	0	250	0	142	(108)
Walking and cycling strategy	1,381	0	0	1,381	117	1,381	0
Waste and Recycling Investment	2,660	300	0	2,960	0	3,656	696
Waste and Recycling – Don't Mess with Croydon	0		996	996	33	996	0
Place Sub Total	**224,984**	**24,822**	**(111,917)**	**137,889**	**56,518**	**123,311**	**(14,578)**
Asset strategy – Cavendish House	100	0	0	100	0	0	(100)
Asset strategy – Stubbs Mead	1,650	283	0	1,933	108	933	(1,000)
Asset strategy – BWH	50	50	0	100	0	0	(100)
Asset strategy – Family Justice Centre	200	20	1330	1550	1,522	1550	0
Asset strategy – Capita Davis House relocation	50	50	0	100	0	100	0
Asset strategy – Heathfield House	100	60	0	160	0	160	0
Asset Acquisition Fund	0	0	84,400	84,400	74,400	84,400	0
Corporate Property Programme	2,000	0	361	2,361	1,357	2,855	494
Crossfield (relocation of CES)	0	0	2,600	2,600	42	2,600	0
Emergency Generator (Data Centre)	0	1,200	0	1,200	0	1,200	0
Finance and HR system	4,055	1,310	(990)	4,375	3,515	5,277	902
ICT Refresh & Transformation	7,400	0	990	8,390	3,067	8,390	0
People ICT	3,500	0	0	3,500	341	3,500	0
Resources Sub Total	**19,105**	**2,973**	**88,691**	**110,769**	**84,352**	**110,965**	**196**
GENERAL FUND TOTAL	**313,466**	**63,450**	**33,984**	**410,900**	**219,553**	**341,991**	**(68,909)**

Category	**2018/19 Original Budget £'000s**	**2017/18 carry forward £'000s**	**In Year Budget Adjusts. £'000s**	**2018/19 Revised Budget £'000s**	**2018/19 Q3 Actual £'000s**	**2018/19 Outturn Forecast £'000s**	**Forecast Variance £'000s**
HOUSING REVENUE ACCOUNT							
Asset management ICT database	434	0	0	434	0	434	0
Fire safety programme	5,000	0	0	5,000	2,638	5,000	0
Larger Homes	0	62	0	62	1	2	(60)
Major Repairs and Improvements Programme	26,771	4,147	0	30,918	8,013	25,709	(5,209)
Special Transfer Payments	180	506	0	686	15	180	(506)
HOUSING REVENUE ACCOUNT TOTAL	**32,385**	**4,715**	**0**	**37,100**	**10,667**	**31,325**	**(5,775)**
LBC CAPITAL PROGRAMME TOTAL	**345,851**	**68,165**	**33,984**	**448,000**	**230,210**	**373,316**	**(74,684)**

For General Release

REPORT TO:	**Cabinet 25 February 2019**
SUBJECT:	**Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement, Capital Strategy & Annual Investment Strategy 2019/2020**
LEAD OFFICER:	**Lisa Taylor** **Director of Finance, Investment and Risk (S151 Officer)**
CABINET MEMBER:	**Cllr Simon Hall,** **Cabinet Member for Finance and Resources**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT:

The prime function of the treasury management operation is to ensure that cash flow is adequately managed, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, so that providing adequate liquidity is prioritised over investment return.

The second main function of the treasury management service is the financing of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensures liquidity or the ability to meet spending commitments as they fall due, either as day-to-day revenue spend or for larger capital projects. The treasury operations carefully assess the balance of the interest costs of debt and the investment income arising from cash deposits and this will impact directly on the Council's finances. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance Sheet.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (and are treated as capital expenditure); they are separate and distinct from the day to day treasury management activities.

Revised reporting on Treasury Management is required for the 2019/2020 reporting cycle due to revisions of the Ministry of Housing Communities and Local Government (MHCLG) Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code. The more significant reporting changes for this 2019/2020 reporting cycle include: the introduction of the requirement to draft and adopt a capital strategy, to provide a longer-term focus to the capital plans; and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The Capital Strategy Statement is included with this report and provides context to the reported activities.

FINANCIAL IMPACT:

This report sets out the Council’s Treasury Management objectives, which are to manage the Council’s cash flows, borrowing and investments whilst minimising the level of risk exposure; maximising investment yield returns within those risk parameters; and ensuring that capital expenditure and financing plans are prudent, affordable and sustainable. The report details the activities that will be undertaken by the Council in the financial year 2019/2020 and the capital borrowing needs of the Council for 2019/2020:-

		£m	Total £m
1.	**In Year Borrowing Requirement (Net)**	317.793	
			317.793
2.	**Total Interest Payable on Debt**		
	- chargeable to Housing Revenue Account (HRA)	12	
	- chargeable to General Fund (GF)	25	
			37

In addition the report details the investment activities and the estimated level of income earned. **Investment Income** net of interest apportioned to Non-General Fund accounts e.g. HRA and other cash balances:- (0.6m)

(0.6m)

KEY DECISION REFERENCE NO.:

This is not an executive key decision – this is reserved to the full Council for decision as part of the budget and policy framework.

1. RECOMMENDATIONS

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below.

The Cabinet is asked to recommend to Full Council that it approve:

1.1. The Treasury Management Policy Statement 2019/2020 as set out in this report including the recommendations:

1.1.1. That the Council takes up the balance of its 2018/2019 borrowing requirement and future years’ borrowing requirements, as set out in paragraph 4.5.

1.1.2. That for the reasons detailed in paragraph 4.14, opportunities for debt rescheduling are reviewed throughout the year by the Director of Finance, Investment and Risk (S151 Officer) and that, she be given delegated authority, in consultation with the Cabinet Member for Finance and Resources and in conjunction with the Council’s independent treasury advisers, to undertake such rescheduling only if revenue savings or additional cost avoidance can be achieved at minimal risk in line with organisational considerations and with regard to the Housing Revenue Account (HRA) as set out in the Council’s Medium Term Financial Strategy 2018/2022.

1.1.3. That delegated authority be given to the Director of Finance, Investment and Risk (S151 Officer) in consultation with the Cabinet Member for Finance and Resources, to make any necessary decisions to protect the Council’s financial position in light of market changes or investment risk exposure.

1.1.4. That the Council adopts the 2017 edition of the revised Treasury Management Code of Practice and Prudential Code issued by CIPFA in December 2017.

1.2. That the Council adopts the Annual Investment Strategy as set out in paragraph 4.16 and 4.17 of this report.

1.3. That the Authorised Borrowing Limits (required by Section 3 of the Local Government Act 2003) as set out in paragraph 4.18 and as detailed in **Appendix C** be as follows:

2019/2020	**2020/2021**	**2021/2022**
£1,486.05m	**£1,550.30m**	**£1,615.40m**

1.4. That the Council approve the Prudential Indicators as set out in **Appendix C** of this report.

1.5. The Annual Minimum Revenue Provision Policy Statement (required by the Local Authorities (Capital Financing and Accounting) (England) (Amendment) Regulations 2008SI 2008/414) as set out in **Appendix D** of this report.

1.6. That the Council's authorised counterparty lending list as at 31 December 2018 as set out in **Appendix E** of this report and the rating criteria set for inclusion onto this list be approved.

1.7. That the Council adopts the Capital Strategy Statement set out below in section 3.

2. EXECUTIVE SUMMARY

2.1. Under regulations made pursuant to the Local Government Act 2003 the Council is required to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities, 2017, ("The Code"), to ensure that the Council's capital investment plans are affordable, prudent and sustainable. In particular, the Prudential Code requires the Council to set a number of Prudential Indicators for the next three financial years. This report, which both incorporates these indicators, and recommends that Cabinet recommends to full Council the adoption of the latest Code, also details the expected treasury activities for the year 2019/2020, set in the context of the longer term planning forecasts for the organisation. The implications of these key indicators function as the overriding control and guidance mechanism for the future capital programme and the revenue consequences that arise for the Council in future financial years.

2.2. The revised CIPFA 2017 Prudential and Treasury Management Codes require, for 2019/2020, that all local authorities must prepare an additional report, a Capital Strategy Statement, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

3. CAPITAL STRATEGY STATEMENT

The Prudential Code for Capital Finance in Local Authorities was updated by the Chartered Institute of Public Finance and Accountancy in December 2017. The framework established by the Prudential Code supports local strategic planning, local asset management planning and proper option appraisal.

The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long run financing implications and potential risks to the authority.

The Prudential Code sets out that in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy. The capital strategy should set out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

Purpose and Aims of this Capital Strategy

3.1 This capital strategy document sets out how capital investment supports the delivery of the authority's objectives. It describes the main objectives for the Council over a four-year horizon (2018 to 2022). These objectives form the Council's Corporate Plan and have been grouped into 9 themes, as follows:

People live long, healthy, happy and independent lives – infrastructure to support those in need and to prevent issues from becoming problems. Includes high quality health and care provision;
Our children and young people thrive and reach their full potential – sharing resources, expertise and intelligence to better safeguard children and to improve their outcomes;
Good, decent homes, affordable to all – equal and fair access to housing, providing support in accordance with need;
Everyone feels safer in their street, neighbourhood and home – to ensure that people from all Croydon communities feel safe;
A cleaner and more sustainable environment – clean, accessible streets are important to the wellbeing and success of the local economy;
Everybody has the opportunity to work and build their career – inward investment brings opportunities for residents of the Borough;
Business moves here and invests, our existing businesses grow – an expanding technology sector and a large number of start-up businesses should benefit all residents;
An excellent transport network that is safe, reliable and accessible to all – to invest further in the road, rail and tram networks, with an emphasis on better, sustainable transport;
We value the arts, culture, sports and activities. – This is integral to a healthy, vibrant borough and are important drivers for the economy.

Delivery of these Objectives

3.2 This Capital Strategy has been drafted to support the delivery of the Council's core objectives that sit within each of these nine themes.

3.3 The Council employs a number of different delivery strategies and these are described below. This document describes the funding streams available to the Council and used in the delivery of these objectives.

3.4 The component elements that comprise the capital programme are drawn from specific, detailed strategy documents, including, but not limited to the Asset Investment Strategy, the Education Estates Strategy and Brick by Brick's Business Plan.

3.5 These are described in some more detail below, including a description of the process whereby schemes are prioritised to ensure best fit to these corporate priorities as capital projects. Taken together these schemes make up the Council's capital investment programme.

3.6 The next section considers the resources available to the Council to deliver this capital programme.

Resources

3.7 The Council can call upon a range of capital resources to deliver its capital programme.

These resources include:

Borrowing;
Capital Receipts;
Grant funding;
Planning obligations; and
Revenue.

There are also resources relating to the Housing Revenue Account which fall outside the scope of this strategy.

3.7.1 **Borrowing**. The level of debt incurred by the Council is governed by the indicators set by the CIPFA Prudential Code. The Code provides a framework to enable the Council to assess the Affordability, Sustainability and Prudence of the level of borrowing. These links to the Prudential Code are detailed further below. Sources of debt include the Public Works Loans Board, Commercial debt from banks and financial institutions, (this includes legacy so-called Lender Option Borrower Option loans, or LOBOs), and European Union funds, such as the London Energy Efficiency Fund and the European Investment Bank. Local authorities are able to borrow money at rates that are very close to the government cost of borrowing and for durations that stretch out to fifty years.

The Council's Medium Term Financial Strategy (MTFS) states that Borrowing should be undertaken for specific schemes and is prioritised where it can have a net positive impact on the revenue budget and there is a clear repayment plan for the principal sum. Borrowing can be split into four elements:

1. Borrowing – Revolving Investment Fund – normally for housing and on lent at a commercial rate where debt is repaid on completion of the project.
2. Borrowing – Growth zone – debt is repaid from future business rates growth.

3. Borrowing – Asset Investment strategy – Borrowing decisions made in line with the agreed strategy and where the asset generates a positive net return. Debt would be repaid in future from asset value.
4. Borrowing – General – Any other priority capital schemes that cannot be funded from external sources.

Allowance needs to be made in the revenue budget for repayment of capital and payment of interest. The policy regarding the repayment of principal sums (Minimum Revenue Provision) is discussed below in section 4.6.

3.7.2 **Capital Receipts** are generated by the sale of an asset. Disposals of surplus assets in the property portfolio, typically generated by a rationalising of the estate, represent an important source of funding. Capital receipts can only be applied to fund capital investment, with the exception of the use of capital receipts to fund transformation expenditure, set out in the MHCLG's Flexible Use of Capital Receipts guidance of March 2016.

As set out in the Council's MTFS capital receipts will be used to fund transformation programmes and projects that support the assumptions made in the MTFS, this includes the transformational activities in the Children's Services Improvement Plan.

3.7.3 **Grant funding** covers a range of funding sources. This might include grants from the Education and Skills Funding Agency; Education Basic Needs grants; Transport for London, NHS, and the Community Infrastructure Levy. Typically grants are specific and often have conditions associated with them which define the purpose for which they should be applied.

3.7.4 **Planning obligations**, Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as s106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. Typically they are negotiated as part of planning gain agreements. They are focused on site specific mitigation of the impact of development. S106 agreements are often referred to as 'developer contributions' along with highway contributions and the Community Infrastructure Levy, as mentioned above. They were introduced to allow local authorities to recover costs associated with private developments. These range from additional school places through to transport links.

3.7.5 **Revenue funding** can be applied but is rarely used to support capital investment.

3.8 Croydon has been innovative in using different approaches for delivering capital investment. These are described in more detail here.

The Revolving Investment Fund (RIF)

3.8.1 The RIF will, over the life of this strategy, comprise £272.2 million and will be established through borrowing. Loans will be acquired at rates comparable to the mark up on gilts applied by the government's Debt Management Office. The RIF will lend at commercial rates thus generating a margin. The net returns estimated over the cost of debt will be credited to the Council's revenue accounts and the interest earned by the Council is used to run services. The debts will be repaid on completion of each individual project.

The RIF also acts as a funder to the Council's Housing Development Company Brick by Brick, enabling the development of homes in the Borough.

Brick by Brick

3.8.2 The Borough has established a development company, Brick by Brick Croydon Limited (BXB), to bring forward housing led development in a way which realises the development potential of a sites throughout the borough and maximises the benefit from development to local residents. Although the Council is the sole shareholder, the board of the company operates independently from the Council and on a commercial basis.

As specified above, Brick by Brick is funded by a revolving investment fund funded by debt incurred by the local authority.

The key implication for the Council from the lending arrangement to Brick by Brick is the estimated net funding requirement is driven by the company's cash flow projections. Brick by Brick will draw down from the Council through a combination of borrowing and equity investment (on a 75:25 split) to fund its planned development programme.

Housing LLPs

3.8.3 The Council has also set up Housing LLPs to increase the provision of affordable homes in the borough. To enable the increase of the provision of affordable housing in the borough, the Council, via wholly owned entities, has entered in to three separate limited liability partnerships (LLPs) with a local charity to develop units across the borough and street purchased properties as affordable rented homes. The LLPs will be able to utilise the Council's retained right to buy receipts, which the Council is unable to use due to the limited resources in the housing revenue account, with the Council acting as lender for the balance of the funds for the purchase of the leases and development of the sites. If the Council did not use the right to buy receipts in this manner, it would obliged to repay them to central government with interest.

Croydon will retain a long term interest in the properties via the freehold of the sites or properties and receive an income stream in to the general fund from each LLP. The impact on the Council's general fund, once all properties are fully available, is an ongoing benefit of £1.4 million. Additionally, there will be capital gains on the previously purchased units and, through arms lengths agreements with the LLPs, a contribution to the Council's fixed costs.

Growth Zone

3.8.4 The Growth Zone is a big element of the capital programme. The driver for this component of the strategy is that future business rates increases received from the zone are ring fenced outside of this strategy for investment within the zone. The growth in business rates from the growth zone is ring-fenced separately from within the Council's collection fund, and will be used to repay debt.

The Growth Zone strategy is entitled to bid to access Public Works Loan Board Infrastructure rate borrowing at preferential rates.

Service and Commercial Investment Strategy

3.9 An asset Acquisition Fund of £100m will enable investment in property to generate an income for the Council. The Council has an aspiration to secure medium to long term revenue returns from sound property investment principally within the Borough. The revenue returns from these investments should be consistent and less prone to fluctuation due to the protection within the lease agreements. These returns will be key to future revenue income and enable expenditure on services. The Council will be looking at the opportunity that property investment offers to help generate a secure revenue stream over the medium - to long-term. However, less secure assets that offer future revenue potential with higher returns that also unlock the development of strategic sites will also be considered. These may typically be part vacant properties in district centres that requiring some degree of refurbishment or additional development to secure their full letting potential. Each opportunity will be assessed against a matrix. The matrix will have scoring against each of the key elements and categorise into Excellent, Fair, Good and Marginal investments.

Context – the Strategy Hierarchy

3.10 The Capital programme comprises the capital schemes that contribute towards meeting the objectives described above. They are described by the Asset Investment Strategy, Education Estates Strategy, the Brick by Brick business plan and other strategies and plans. A capital budget, setting out the forecast expenditure and capital funding, is Item 3A on this agenda.

3.11 The revenue impact of long-term borrowing is set out in the Minimum Revenue Provision (MRP) Policy (attached as Appendix D and covered in section 4.6) and the Treasury Management Policy (discussed in paragraphs 4.7 to 4.15 inclusive). These policies can be found below.

3.12 The MRP deals with different categories of assets in different ways, setting out how debt principal is repaid from contributions from revenue. The Treasury Management Policy considers, amongst a number of issues, projections as to the cost of debt and issues around long-term affordability and sustainability.

3.13 Sitting alongside and informing this Strategy is the **Medium Term Financial Strategy (“MTFS”)**. This was approved by Full Council in October 2018.

3.14 By way of local context, there are a number of significant externally delivered, private sector projects being delivered across the Borough, including 101, George Street, comprising 300 new residential properties; Pocket Living, a 21-storey building, comprising 112 one-bedroom pocket homes at Addiscombe Grove; the Queen’s Square development; and the £1.4billion regeneration of the Whitgift Centre.

3.15 Capital projects are assessed and prioritised according to their fit within the strategic context described above. The Council will invest in programmes and projects in line with statutory and core functions with priority for funding being given to those schemes along with invest to save projects. The return on investment to prioritise schemes. The MTFS assumes continuing maximum use of planning gain from the Community Infrastructure Levy and S106 Planning Obligations where possible to reduce our borrowing requirements. As detailed above, an asset Acquisition Fund of £100m has been established to enable investment in property to generate an income for the Council. Capital receipts will continue to be used to fund the transformation programme given the shortage of earmarked reserves. As described, the Growth Zone is a big element of this capital programme. The principle assumed in this strategy is that future business rates received from the zone are ring fenced outside of this strategy for investment within the zone.

Risk Appetite and Governance processes for managing that risk

3.16 The MTFS is explicit in setting out the Council’s appetite for risk. In summary, the Council recognises that good financial management is key to delivering effective services and maintaining financial sustainability and control and needs to be embedded in everything it does. Demand for services is increasing and that requires that they we need to be delivered in a different way if they are to be effective and affordable. The MTFS sets out the key strategic priorities for how the Council will manage the medium term budget position. It is important to make well informed decisions on the basis of accurate financial and operational information. It is also important to recognise that the Council will need to take considered risks to deliver its objectives.

Capacity to deliver

3.17 As described above in the section on context, there is a great deal of activity, current and planned, in the Borough. Capacity, in terms of internal officer resources, must be a consideration. Equally, capacity, in terms of skills, businesses, trades, plant, machinery and so forth is in demand.

Indicators

3.18 Good practice suggests that the Council reviews this document annually to ensure it continues to reflect the needs and priorities of residents.

Prudential Indicators are set at the same time as the budget and reviewed mid-year and at the year-end. These indicators are set out in Appendix C.

3.19 Capital Expenditure is monitored on a quarterly basis and reported to the Cabinet. The Cabinet report considers spend to date, forecasts for the year and subsequent periods and any adjustments required to the agreed budget. This robust level of scrutiny ensures the most efficient use of capital resources to support corporate objectives.

4. TREASURY MANAGEMENT STRATEGY FOR 2019/2020

4.1. The Council defines its treasury management activities as:

> ***"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."***

4.2. The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, and estimated and actual figures.

1. **The Prudential and treasury indicators and treasury strategy (this report)** - The first, and most important report covers:

    - the capital plans (including prudential indicators);
    - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
    - the treasury management strategy (how the investments and borrowings are to be arranged) including treasury indicators; and
    - an investment strategy (the parameters for managing investments.

2. **A mid-year treasury management report** – To update members with the progress of the capital position, amend prudential indicators as necessary, and flag whether any policies require revision;

3. **An annual treasury report** – This is a backward looking review document and

provides details of the prudential and treasury indicators and treasury operations. The indicators are calculated on the basis of published outturn figures compared to the estimates within the strategy.

4.3. The strategy for 2019/2020 covers these three main areas:

Capital issues

- The capital plans and borrowing need (paragraphs 4.4 and 4.5);
- The minimum revenue provision (MRP) policy (paragraph 4.6).

Treasury management issues

- Policy on use of external service providers paragraph 4.7);
- The Current Treasury Position (paragraph 4.8);
- Borrowing Requirement (paragraph 4.9);
- Treasury indicators which limit the treasury risk and activities of the Council (paragraph 4.10);
- Interest Rate Exposure and Prospects for Interest Rates (paragraph 4.11) ;
- The Borrowing Strategy (paragraph 4.12);
- The policy on borrowing in advance of need (paragraph 4.13);
- Debt Rescheduling and Repayment (paragraph 4.14);
- Sources of Finance (paragraph 4.15);

Annual Investment Strategy

- The investment policy (paragraph 4.16);
- The Annual Investment Strategy (paragraph 4.17);
- Treasury Limits (paragraph 4.18) and
- Prudential Indicators (paragraph 4.19).

CAPITAL ISSUES

4.4. Capital Expenditure and borrowing need

4.4.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

4.4.2 In order to fulfil its ambitions for Croydon the Council has an extensive capital programme. This includes funding for:

- a Revolving Investment Fund (RIF), set up to fulfil the Council's Growth Promise and initially be focused on the delivery of development and regeneration on Council Land;
- a Development company focused on regeneration in the borough, primarily in respect of residential properties;
- and a Growth Zone, which invests in priority infrastructure to help deliver sustainable economic growth in Croydon.

During the year 2018/2019 an Asset Acquisition Fund was also set up to enable investment in commercial property in order to generate a return to help fund services. The RIF, Growth Zone, Asset Acquisition Fund and Development Company are expected to create their own revenue streams in order to repay the debt taken out to finance the expenditure. The expenditure for these areas is shown in the Commercial activities and non-financial investments line in Table 1.

4.4.3 Members are asked to note the capital expenditure forecasts summarised in the table below:

Table 1: Capital Expenditure Forecasts (2018/2022)

Capital expenditure £m	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate	2021/2022 Estimate
Non-HRA	99.157	93.201	55.818	27.497
Commercial activities/non-financial investments	242.834	90.273	40.000	60.000
HRA	31.325	38.451	26.951	26.951
Total	**373.316**	**221.925**	**122.769**	**114.448**

4.4.4 This financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

4.4.5 The Council's financing need is funded from various capital and revenue resources plus borrowing.

4.5. The Council's borrowing need (the Capital Financing Requirement)

4.5.1 The Council's Capital Financing Requirement (CFR) is the total of historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which reduces the borrowing need in line with each asset's life. The CFR includes any other long term liabilities such as PFI schemes and finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow to deliver these schemes.

4.5.2 The Council's estimated CFR is detailed in the table below:

Table 2: Estimated Capital Financing Requirement 2018/2022

	2018/2019 £m	2019/2020 £m	2020/2021 £m	2021/2022 £m
	Forecast	**Estimate**	**Estimate**	**Estimate**
Capital expenditure	373.316	221.925	122.769	114.448
Less amount funded from resources	(48.923)	(82.706)	(48.820)	(39.351)
Gross In Year Borrowing Requirement (CFR)	**324.393**	**139.219**	**73.949**	**75.097**
Less In Year Minimum Revenue Provision (MRP) for debt repayment.	(6.6)	(8.2)	(9.7)	(10.0)
In Year Borrowing Requirement (Net)	317.793	131.019	64.249	65.097
1. Loans repaid during year	132.000	179.000	42.000	40.000
2. Less loans taken up in-year	(434.000)	0.0	0.0	0.0
3. Less reduction in investment balances (internal borrowing)	(0.0)	0.0	0.0	0.0
In Year Borrowing Requirement outstanding	**15.793**	**310.019**	**106.249**	**105.097**

4.6. Minimum Revenue Provision

4.6.1 Minimum Revenue Provision (MRP), which is often referred to as a provision for the repayment of debt, is a charge to revenue in relation to capital expenditure financed from borrowing or through credit arrangements.

4.6.2 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, local authorities are required to charge MRP to their revenue account in each financial year. Before 2008, the 2003 Regulations contained details of the method that local authorities were required to use when calculating MRP. This has been replaced by the current Regulation 28 of the 2003 Regulations, which gives local authorities flexibility in how they calculate MRP, providing the calculation is ‘prudent’. In calculating a prudent provision, local authorities are required to have regard to the statutory guidance issued by The Ministry of Housing, Communities & Local Government. The latest version of the guidance was issued on 2 February 2018 and is applicable for accounting periods starting on or after 1 April 2019.

4.6.3 The guidance states that before the start of each financial year, the Council should prepare a statement of its policy on making MRP in respect of that financial year and submit it to full Council for approval.

4.6.4 Regulation 28 of the 2003 Regulations requires a local authority to calculate in each financial year an amount of MRP that it considers to be prudent. An underpinning principle of the local authority financial system is that all capital expenditure has to be financed either from capital receipts, capital grants (or other contributions) or eventually from revenue income. The broad aim of prudent provision is to require local authorities to put aside revenue over time to cover their CFR (Capital Funding Requirement). In doing so, local authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits.

4.6.5 The Director of Finance, Investment and Risk (S151 Officer) is responsible for ensuring that accounting policies and the MRP policy comply with the statutory Guidance in determining a prudent level of MRP.

4.6.6 The Treasury Annual Review for 2017/2018 was presented to the Council's General Purposes and Audit Committee on 10 October 2018 (Minute 24/17). At the meeting the Committee resolved that a revised Minimum Revenue Provision Statement be recommended for adoption at the next Council meeting to be held on 3 December 2018. The revised MRP Policy Statement for 2018/2019 was adopted by full Council on 3 December 2018 (Minute 47/18) and is attached at Appendix D.

TREASURY MANAGEMENT ISSUES

4.7. Treasury management Advisors

4.7.1 The Council uses Link Asset Services, as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review, reflecting sound governance practices.

4.7.2 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The Council appoints specialist advisers for commercial investments.

4.8. The Current Treasury Position

4.8.1 The Council's Treasury position as at 31st December 2018 comprised:

Table 3: Borrowing by the Council as at 31 December 2018

		Principal £m	Average Rate %
Fixed Rate Funding	- PWLB[1]	817.926	3.46
	- Other [2]	0.315	3.50
	- LOBO [3]	19.500	2.55
	- Local Authorities[4]	236.000	1.03
	- Amber Green LEEF 2LLP	8.575	1.68
	- European Investment Bank	102.000	2.20
Variable Rate Funding	- LOBO [3]	20.000	4.20
Total External Debt as 31/12/2018		**1,204.316**	**3.14**
Additional			
GF borrowing requirement outstanding for 2018/2019		15.793	
HRA borrowing requirement outstanding for 2018/2019		0	
Estimated Debt as at 31/03/2019		**1,220.109**	**3.14**

1. PWLB is the Public Works Loan Board, the branch of Government that is the principle lender to local authorities. Included within this amount is the £223.1m borrowed for the HRA self-financing settlement made on 28/3/2012.

2. Other relates to 3 ½% Irredeemable Stock which was issued by this Authority in the past.

3. Lender's Option Borrower's Option (LOBOs) loans are commercial debts with options for the lender to vary the rate at pre-set intervals. If the option is exercised, then the Council can either accept the new rate or repay the loan with no penalty.

4. As an alternative to borrowing from the Government, local authorities have come to the market offering loans at competitive rates.

4.8.2 The Council's debt maturity profile is included in **Appendix A**.

Table 4: Temporary Investments as at 31 December 2018

	Principal £m	Average Rate %
Temporary investments outstanding as at 31/12/2018	**66.8**	**0.79**
Estimated temporary investments outstanding as at 31/03/2019	**40**	**0.85**

4.9 The Borrowing Strategy and Borrowing Requirement

4.9.1 The Council's capital expenditure plans are set out in Section 4.4 and referenced by the Capital Strategy Statement. The treasury management function ensures that the Council's cash is managed in accordance with the relevant professional codes, as issued by CIPFA and the MHCLG, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

4.9.2 The Council's treasury portfolio position at 31 March 2018, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 5: Borrowing and the Capital Financing Requirement 2017 to 2022

£m	**2017/2018 Actual**	**2018/2019 Estimate**	**2019/2020 Estimate**	**2020/2021 Estimate**	**2021/2022 Estimate**
External Debt					
Debt at 1 April	881.061	902.060	1,220.110	1,351.129	1,415.378
Expected change in debt	20.999	318.050	131.019	64.249	65.097
Other long term liabilities	86.881	84.920	84.920	84.920	84.920
Expected change in Other long term liabilities	(1.961)	-	-	-	-
Actual gross debt at 31 March	986.980	1,305.030	1,436.049	1,500.298	1,565.395
The Capital Financing Requirement	**1,016.539***	**1,334.332**	**1,465.351**	**1,529.600**	**1,594.697**
Under/(over) borrowing	29.559	29.302	29.302	29.302	29.303

*****For 2017/2018, an adjustment has been made to the CFR figure from that reported in the 2017/2018 Annual Report and Accounts to take into consideration loans and investments made as part of the Capital Programme.

Note: this calculation does not allow for the impact of internal borrowing which has the effect of reducing real borrowing (see Table 2, above).

4.9.3 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/2019 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

4.9.4 The Director of Finance, Investment and Risk (S151 Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

4.10 Treasury Indicators: limits to borrowing activity

This section considers the operational boundary and the authorised limit for external debt which together form an important control metric.

4.10.1 **The operational boundary**. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Table 6: The operational boundary for 2018 / 2022

Operational boundary £m	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate	2021/2022 Estimate
Debt	1,220.110	1,351.129	1,415.378	1480.475
Other long term liabilities	84.920	84.920	84.920	84.920
Total	1,305.030	1,436.049	1,500.298	1,565.395

4.10.2 **The authorised limit for external debt.** Another key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which could be afforded in the short term, but is not sustainable in the longer term.

4.10.3 The Council is asked to approve the following authorised limit:

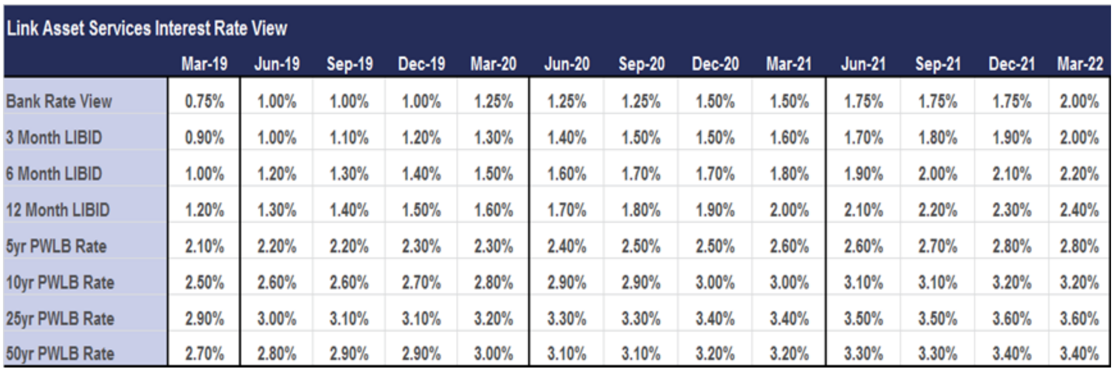
Table 7: The Authorised Limit for External Debt 2018 / 2022

Authorised Limit £m	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate	2021/2022 Estimate
Debt	1,270.110	1,401.129	1,465.378	1,530.475
Other long term liabilities	84.920	84.920	84.920	84.920
Total	1,355.030	1,486.049	1,550.298	1,615.395

4.11 Interest Rate Exposure and Prospects for Interest Rates

4.11.1 The Council manages its exposure to interest rate risk by borrowing the majority of its funding requirements at fixed rates over a range of durations. This limits the impact on the Council's ability to cover interest costs when interest rates are rising. The Council is also looking into securing borrowing using forward agreements to limit exposure to future increases in interest over the short term. The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their and our central view.

Table 8: Interest Rate Forecast December 2018 to March 2022



Link Asset Services Interest Rate View

	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

4.11.2 Commentary on interest rate forecasts and the economy has been provided by Link Asset Services in **Appendix G**.

4.12 The Borrowing strategy

4.12.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with borrowing as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent when investment returns are low but counterparty risk, such as a bank failing or borrower defaulting, is still an issue that needs to be considered. Against this background and the risks within the economic forecast, officers will be cautious when undertaking 2019/2020 treasury operations. The Director of Finance, Investment and Risk (S151 Officer) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp **FALL** in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper **RISE** in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

4.12.2 Any decisions will be reported to Cabinet at the next available opportunity.

4.13 Policy on borrowing in advance of need

4.13.1 The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

4.14 Debt rescheduling and repayment

4.14.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

4.14.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

4.14.4 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. The forecasts under-pinning this strategy assume that cash balances will be used to repay maturing debt, at least for the short-term, i.e. the next three-year period.

4.14.5 All rescheduling will be reported to Cabinet, at the earliest meeting following its action.

4.15 Sources of finance

4.15.1 The Council's main source of finance is borrowing from the Public Works Loan Board (PWLB) where funds can be borrowed for up to 50 years at both fixed and variable rates. The Council has qualified for borrowing from the PWLB at the 'certainty rate' which is the prevailing PWLB interest rate on the date of borrowing less a discount of 0.20%. This discounted rate applies for funding of capital schemes through prudential borrowing and for the refinancing of maturing long term debt. With long-term PWLB rates currently low, this 'certainty rate' now makes funding through the PWLB a relatively attractive option. In order to reduce the risk that loans will mature when interest rates are peaking, debt is taken on in tranches that mature over a spread of years. This is described as the debt maturity profile. New loans will be taken to fit into gaps in the Authority's existing debt maturity profile.

4.15.2 In the Autumn Budget 2017, the government announced that it would make available £1bn of lending at the Local Infrastructure Rate of gilts + 60bps to English local authorities. Following the announcement local authorities were asked to apply to HM Treasury to access funds at this reduced borrowing rate. Two bidding rounds were introduced running from 1 May 2018 to 31 July 2018 and 1 January 2019 to 31 March 2019. Up to £500m has been made available in each bidding round, with a maximum of £100m available for any one local authority. The Council will be submitting a bid covering various projects in the second bidding round which will close on 31 March 2019.

4.15.3 The Council continues to attempt to source cheaper alternatives to the PWLB in order to finance the borrowing requirement for future years. Other than the PWLB, the Council currently uses other UK local authorities willing to offer loans up to 5 years and the European Investment Bank, both of which provide financing below the PWLB certainty rate. The PWLB Certainty Rate will be used as a benchmark against which borrowing options are assessed. The Council has also found and will make use of commercial lenders willing to lend at rates below the PWLB certainty rate and continues to look at options such as Local Authority Bonds and the Municipal Bond Agency.

4.15.4 Long-term borrowing to support Borough regeneration will service the capital financing requirements of the Council's arms-length development company, Brick by Brick. Onwards lending will be at a margin to the cost of borrowing and interest payments together with repayment of principal will prime additional investment. Investment in the Borough's Growth Zone should generate additional business rates that can be applied to service debt funding.

ANNUAL INVESTMENT STRATEGY

4.16 Investment policy

4.16.1 The Council's investment policy has regard to the Ministry of Housing, Communities and Local Government (MHCLG)'s (previously the DCLG) Guidance on Local Government Investments 3rd Edition ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 Edition ("the CIPFA TM Code"). The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This section of the report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy. The Council's investment priorities will be security first, liquidity second, then return. In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short-Term and Long-Term ratings.

4.16.2 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4.16.3 Investment instruments identified for use in the financial year are listed in **Appendix B** under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices.

4.16.4 The Council may wish, from time to time, to take advantage of financial derivative instruments in order to better manage risks, such as exposure to interest rate movements. Local authorities, including the Council, have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. Lender Option Borrower Option (or LOBO) loans). However, previous legislation was understood to prevent the use of such tools where they were not embedded in other instruments. The Localism Act 2011 includes a general power of competence that removes the uncertain legal position over local authorities’ use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The latest CIPFA Code requires local authorities to clearly detail their policy on the use of derivatives in their annual strategy.

4.16.5 The Council will only use financial derivatives (such as swaps, forwards, futures and options) either on a standalone, or embedded basis, where it can be clearly demonstrated that as part of the prudent management of the Council's financial affairs the use of financial derivatives will have the effect of reducing the level of financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. This will be determined in liaison with the Council's external advisors. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit if applicable.

4.16.6 At all times the Council will comply with CIPFA advice and guidance on the use of financial derivatives and have regard to CIPFA publications on risk management.

4.17 Annual Investment Strategy

4.17.1 The investments, both specified and non-specified, that officers will be permitted to undertake in-house are summarised below. Further details are provided in **Appendix B.**

a. **Specified Investments -** All investments shall consist of investments under one year as follows:

- Debt Management Agency Deposits Facility (DMADF).

- Term deposits with UK Government or with UK local authorities.
- Term deposits with credit - rated deposit takers (banks and building societies).
- Certificate of Deposits.
- AAA rated Money Market Funds.
- Bonds issued by multinational development banks.
- Enhanced AAA rated Money Market Funds.
- UK Government Gilts.
- UK Government Treasury Bills.

b. **Non-specified investments** - Local authorities now have specific powers to invest for periods in excess of one year. It is recommended that these shall consist of:

- Term deposits with credit - rated deposit takers (banks and building societies).
- Term deposits with UK local authorities.
- Certificate of Deposits (CD).
- Callable deposits with credit rated deposit takers (banks and building societies).
- Forward deposits with credit rated banks and building societies.
- Bonds issued by multinational development banks.
- Enhanced AAA rated Money Market Funds.
- UK Government Gilts.
- Property Funds.
- Floating Rate Notes (FRNs) issued by institutions on the Council's authorised lending list.
- Investment grade Corporate Bonds issued by Corporate Institutions.
- AAA rated Covered Bonds.
- Investment in the equity of any company wholly owned by Croydon Council.

4.17.2 Investment Income Gross - Based on cash flow forecasts for 2019/2020, the Council anticipates its average daily cash balances for the year to be £70.0m, which includes the £68.0m of new borrowing to be undertaken in 2019/2020. The overall balances include schools balances and HRA revenue balances for which an apportionment of investment interest earned is made. The net income then due to the General Fund is estimated at £0.560m for 2019/2020.

4.17.3 All credit ratings in respect of financial institutions that the Council invests monies in will be continuously monitored together with the limits imposed on amounts that can be invested and the duration of such investments. The Council is alerted to news relating to financial institutions and changes in ratings by its treasury management advisers as these occur and is therefore in a position to take appropriate action to protect the Council's interests.

4.17.4 The Director of Finance, Investment and Risk (Section 151 Officer) will be responsible for managing all investments within the credit limits as set out in **Appendix E** and in accordance with CIPFA's Treasury Management in the Public Services Code of Practice 2017 Edition.

4.17.5 Link Asset Services have advised and assisted Council Officers in compiling and maintaining a counterparty lending list based on FITCH credit ratings and other related information in force as at 31st December 2018. This is attached at **Appendix E** and the Council is recommended to approve this list of counterparties and the criteria set for inclusion on to both List A and List B. In respect of List A the credit limits that apply range from £15m to £25m depending on the institution and the credit limit for institutions on List

B is set at £10m for each institution. The maximum duration of investments in the institutions on both lists will be subject to Link Asset Services' recommendations at the time that investments are made. Under the updated regulations the Authority is obliged to consider a range of different sources of information before taking a view on whether to invest with any counterparty. These sources include each of the rating agencies, the Credit Default Swap (CDS) spreads which gives early warning of likely changes in credit ratings as well as the sovereign rating for the country and other market driven information. Link Asset Services summarise these different views in forming an overall picture of the credit-worthiness of each, which is communicated to this Authority. FITCH ratings are the most valuable in this particular case as they focus more on European banks whereas Moody's and Standard & Poor's look more at the US.

4.17.6 The principle of ensuring capital security and then of securing the best rate of return underpins all treasury investment decisions. There is a growing concern, triggered by a succession of high profile banking scandals, that the reducing pool of quality counter-parties, such as banks, is increasing the level of risk for the Authority. These risks are not simply the risk that principal sums invested might be lost but also reputational risks to the Authority. In response, the Council's Treasury team has investigated other high-grade deposit takers, to increase diversification of investments and thereby reduce the overall concentration of risk of default. As a consequence of this, the Council has put into place a Custodian agreement offered at a discount by the Bank of New York Mellon – the Custodian used by the Council's Pension Fund. This has enabled the Treasury team to diversify investments and to enhance yields by investing in those specified and unspecified investments that require custody arrangements. A list of the Specified and Non-Specified investments that Council Officers are permitted to undertake in-house is detailed in **Appendix B.** In the immediate short-term there will be no increase in returns, but the Treasury team will be better placed to exploit market opportunities in the longer term.

4.17.7 The UK government's stake in the Royal Bank of Scotland (RBS) PLC group at around 62.4% makes it the majority shareholder in that bank. The RBS Group will therefore be retained as an approved investment counterparty until such time as the situation changes. Further, as National Westminster Bank PLC which is part of the RBS PLC Group, provides the Council with banking services, the investment limit for this counterparty will remain at £25m.

4.17.8 Ring-fencing legislation, brought in by the government to strengthen the financial system following the financial crisis that began in 2007, requires each large UK bank to separate its retail banking activity from the rest of its business. This is to protect customers and the day-to-day banking services they rely on from unrelated risks elsewhere in the banking group and shocks affecting the wider financial system. It is intended to reduce the likelihood that essential banking services are put at risk by a failure in another part of the business, such as investment banking. The large UK banks have implemented ring-fencing. .

4.17.9 With regard to UK Challenger banks, the majority of local authorities do not include these banks in their counterparty lists. Although at present, Challenger banks do not have credit ratings and so fall outside investment strategy criteria, it is expected that these banks may get rated in the future. The situation on Challenger banks and UK part-nationalised banks will be monitored continuously.

4.17.10 In the current low interest rate environment, Money Market Funds (MMFs) can also be used effectively to provide returns in excess of straight overnight bank deposits and to provide for excellent liquidity if required. The Council invests in MMFs which are AAA rated by the FITCH rating agency and at least one of the other two major ratings agencies – Moodys and Standard & Poor's.

4.17.11 In addition, the Council will continue to lend to other UK local authorities and to the Debt Management Office, which effectively is lending to the Government.

4.17.12 As at 31st December 2018, short-term investment interest rates (1-3 months) were between 0.70% and 0.80% with longer term rates (up to 1 year) between 0.95% and 1.10%. Investments will be made to take advantage of higher yields and to hedge against future decreases in bank rates. Daily liquidity requirements will be met by investing in AAA-rated MMFs. As investment rates are influenced throughout the year by the release of key items of data, there may be occasions when some investments will be pitched towards specific periods to take advantage of any unexpected higher rates resulting from data issued. In all cases investment decisions will adhere to Link Asset Services' recommended maximum investment durations for the counterparty concerned.

4.18 Treasury Limits

4.18.1 Section 3 of the Local Government Act 2003 requires the Council to set limits and to keep under review how much it can afford to borrow. The amounts so determined are to be set on a rolling basis, for the forthcoming financial year and two successive financial years, a period of three years in total from 2019/2020 to 2021/2022 and are termed:

1. The **'Operational Boundary for External Debt'**. This reflects the maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.

2. The **'Authorised Borrowing Limit'**. This limit represents an assessment of the maximum debt the authority may need to incur at any point throughout the year as determined in the Financial Strategy by the Executive Director of Resources.

4.18.2 The Director of Finance, Investment and Risk (S151 Officer) will be responsible for setting the Council's Authorised Borrowing Limit. This limit requires the Council to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon future council tax and housing rent levels is acceptable.

4.18.3 The Council's authorised borrowing limit has been estimated to be:

£1,355m for **2018/2019**;
£1,486m in **2019/2020;**
£1,550m in **2020/2021;** and
£1,615m in **2021/2022**

as detailed in **Appendix C**. These limits reflect the maximum amount the Council can borrow for capital and revenue purposes and allows for unexpected events for example a possible delay in the receipt of anticipated council tax, National Non-Domestic Rates (NNDR) direct debits, housing benefit subsidy or other government grant that had been notified to Council Officers in advance. The sum of £50m has been included in respect of revenue borrowing to cover the possibility of this shortfall. The limit reflects a level of borrowing which while not desirable is affordable in the short term to fund the cash flow requirements of the organisation and to address any potential risks that may arise.

4.19 Prudential Indicators

4.19.1 The Prudential Indicators for 2019/2020 to 2021/2022 are attached in **Appendix C** in accordance with the Prudential Code for Capital Finance in Local Authorities 2017 Edition.

4.19.2 The Executive Director of Resources is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy.

4.19.3 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management.

4.19.4 The Prudential Indicators set will continue to be monitored throughout the year and will be reported to Cabinet on a regular basis.

4.19.5 The indicators break down into four blocks relating to capital expenditure; the affordability of that investment programme; debt; and treasury management as follows:

1. The capital investment indicators reflect the Authority's future plans to undertake capital works, and the extent to which these will be funded through borrowing. (**See Appendix C**).

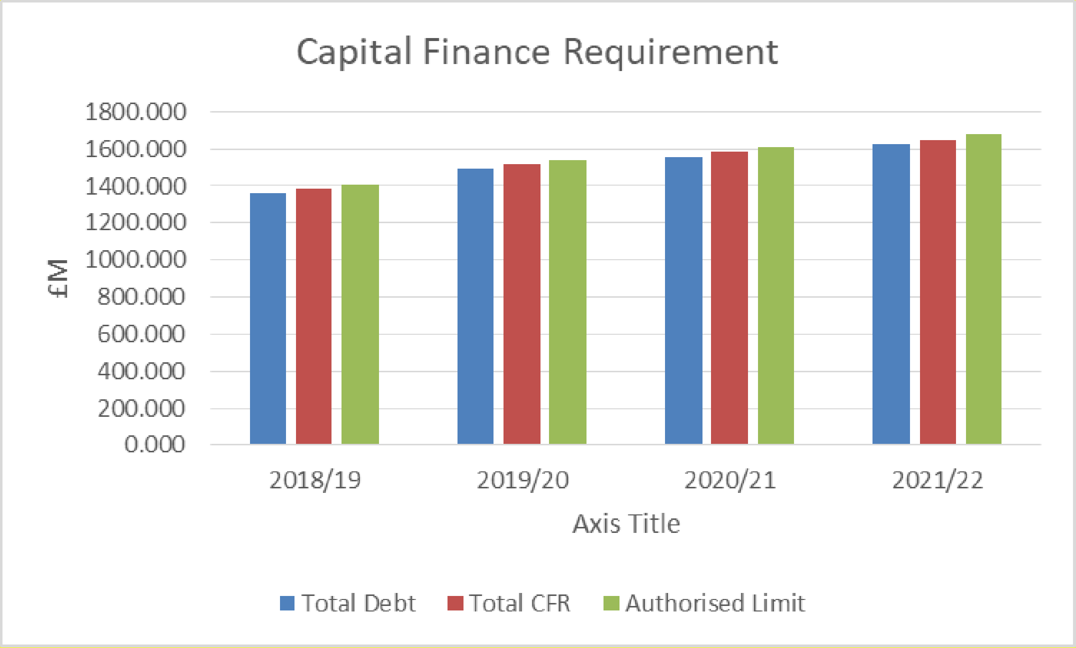
2. Apart from borrowing that is directly supported by government grant funding, the cost of new prudential borrowing to the Authority will be £80 per Band D council taxpayer in 2018/2019. This Prudential Indicator reflects the impact of funding decisions relating to capital investment in Croydon. The Prudential Code specifically indicates that it is not appropriate to compare this indicator with other authorities.

3. The external debt indicators illustrate the calculation of the authorised borrowing limit.

4. The treasury indicators show that the Authority will limit its exposure to variable rate debt to no more than 20% of total debt and will only invest up to 30% of the total investments for periods in excess of one year, for reasons of limiting exposure to risk and guaranteeing adequate liquidity. The final indicator sets a profile for the maturing of new debt.

4.19.6 These main indicators are featured below as follows:

Chart 1: Comparison of Debt against Prudential Limits 2018 / 2022



4.20 Conclusion

4.20.1 The Council's treasury advisers based on an orderly Brexit scenario forecast that the bank rate, currently at 0.75%, will increase by 0.25% by December 2019 and a further 0.50% by December 2020, maintaining a slow upward trajectory in the short to medium term. The longer term (25 years) PWLB interest rates, which currently are 2.9%, are expected to increase to around 3.10% by December 2019 and 3.20% by December 2020. A disorderly Brexit is likely to have a negative effect on rates. Over the next year the Council will be able to borrow at rates below its current average cost of debt of 3.14% to finance its capital programme.

4.20.2 Temporary investment rates are currently between 0.70% and 1.10% for up to one year and between 1.10% and 1.70% for between one and five years. Investment rates are likely to remain low next year and the direction remains difficult to forecast due to the ongoing uncertainty caused by the current political environment.

4.20.3 A glossary of terms associated with this report is attached in **Appendix F**.

5. CONSULTATION

5.1 Full consultation in respect of the contents of this report has taken place with the Council's treasury management advisers Link Asset Services in preparing this report.

6. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

6.1 Revenue and Capital consequences of this report are dealt with within this report.

There are no additional financial considerations other than those identified in this report.

6.2 The effect of the decision

Approval to this report will ensure that the Council meets both its legal and financial management requirements in respect of Treasury Management.

6.3 **Risks**

There are no further risks issues other than those already detailed in this report**.**

6.4 **Options**

These are fully dealt with in this report.

6.5 **Future savings/efficiencies**

This report sets out the Treasury Strategy and identifies that new loans and debt restructuring will only be undertaken on advice from our treasury management advisers.

7 LEGAL CONSIDERATIONS

7.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the recommendations within this report are reserved matters for decision by Full Council. The legal implications are set out under the various sections within the report but in particular these include the requirement for the Council to produce a balanced budget of which the various strategies and limits detailed within this report form a part.

7.2 Furthermore, the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) made pursuant to the Local Government Act 2003 requires the Council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities ("The Prudential Code"). Regulations 23 and 24 provide respectively that capital receipts may only be used for specified purposes and that in carrying out its capital finance functions, a local authority must have regard to the code of practice in "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2017 Edition)" (" The Treasury Code") issued by CIPFA.

7.3 In relation to the Annual investment strategy, the Council is required to have regard to the Guidance is issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 entitled "Statutory guidance on Local Government Investments 3rd Edition" which is applicable from and effective for financial years commencing on or after 1 April 2018.

7.4 Under the provisions of Section 3(1) and (8) of the Local Government Act 2003, the Council shall determine and keep under review how much money it can afford to borrow, and the function of determining and keeping these levels under review is a reserved function of Full Council.

7.5 In determining the Annual Minimum reserves and the recommended policy recommended in this report around such reserves, the Council shall have regard to the Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003 entitled "Statutory guidance on minimum revenue provision"

7.6 The requirement for a Capital Strategy Statement stems from the provisions of the Prudential Code which was most recently updated in December 2017. The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long run financing implications and potential risks to the authority. The Prudential Code sets out that in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy.

Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer

8 HUMAN RESOURCES IMPACT

8.1 There are no immediate HR considerations that arise from the recommendations of this strategy for Croydon Council staff or workers,

Approved by: Sue Moorman, Director of Human Resources

9 EQUALITIES IMPACT

9.1 Consistent with the requirements of the Equality Act 2010 and thePublic Sector Equality Duty, the Council carries out an equality anaylsis on new policies, or existing policies which are the subject of major change.

9.2 The Council's Capital and Revenue Budget 2019/2020 is not subject to an equality analysis. However, in those areas where the setting of the capital and revenue budget result in new policies or policy change, then it is the responsibility of the relevant service department to carry out an equality analysis which evaluates how the new or changed policy may have a potential impact on groups that share a protected characteristic. The equality analysis includes consultation with relevant public bodies, voluntary, community, trade union and other interest groups, such as staff, with an interest in the matter.

Approved by: Yvonne Okiyo, Equalities Manager

10 ENVIRONMENTAL IMPACT

10.1 There are no Environment and Design impacts arising from this report.

11 CRIME AND DISORDER REDUCTION IMPACT

11.1 There are no Crime and Disorder reduction impacts arising from this report.

12 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

12.1 The recommendations proposed are in accordance with the Treasury Management in the Public Services Code of Practice 2017 Edition and the Prudential Code for Capital Finance in Local Authorities 2017.

13 OPTIONS CONSIDERED AND REJECTED

13.1 Consideration and evaluation of alternative options are dealt with within this report.

CONTACT OFFICER: Nigel Cook, Head of Pensions and Treasury
Ext 62552

BACKGROUND DOCUMENTS:

CIPFA’s Prudential Code for Capital Finance in Local Authorities – 2017 Edition.

CIPFA’s Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition.

MHCLG’s Guidance on Local Government Investments February 2018.

APPENDICES:

Appendix A – Long-term debt profile
Appendix B – Specified and non-specified investments
Appendix C – Prudential Indicators
Appendix D – Minimum Revenue Provision Policy
Appendix E – Authorised Lending List
Appendix F – Glossary
Appendix G – Commentary on Interest Rate Forecasts

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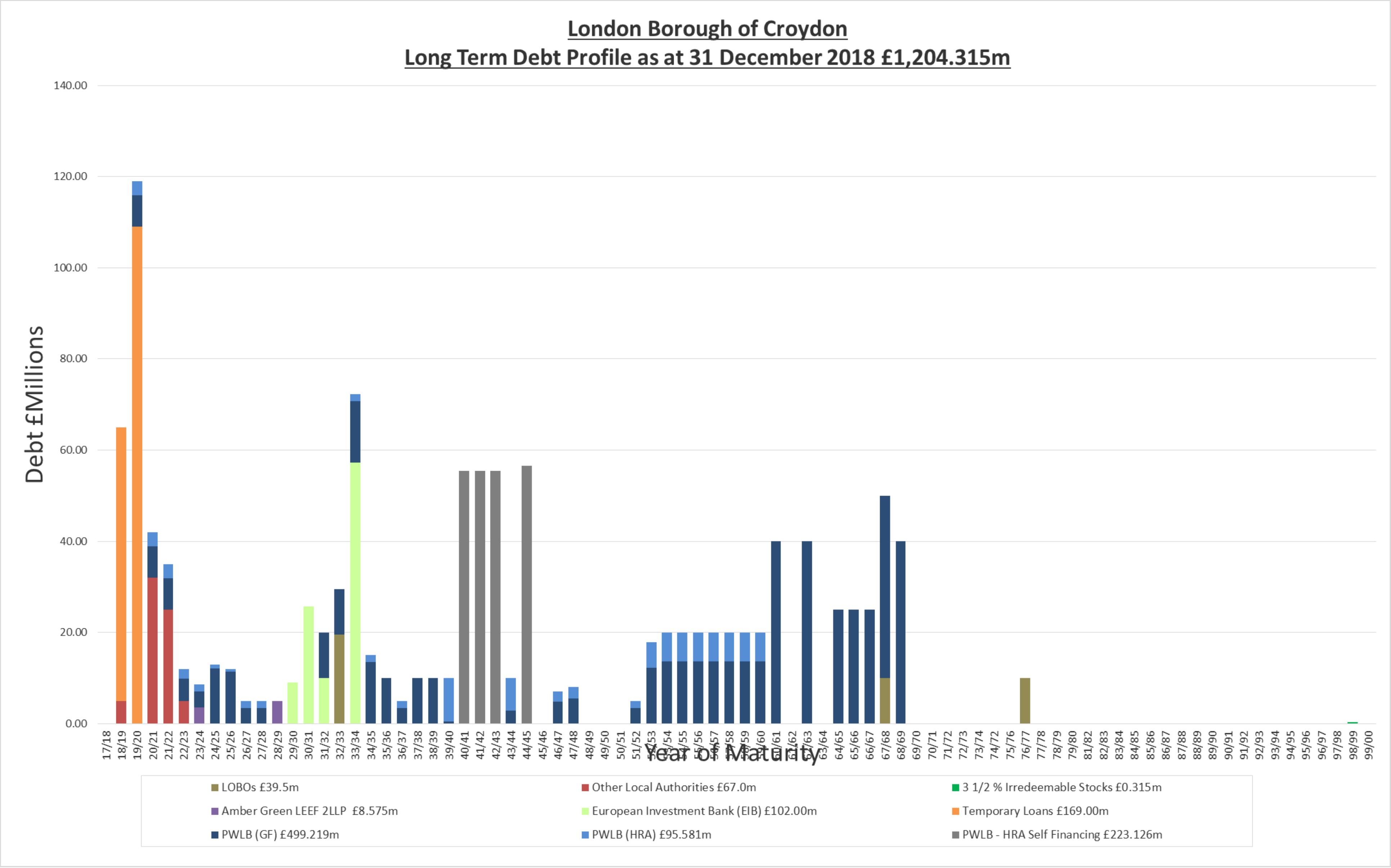
APPENDIX A


London Borough of Croydon
Long Term Debt Profile as at 31 December 2018 £1,204.315m
Debt £Millions
140.00
120.00
100.00
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95/96
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98/99
99/00
Year of Maturity
■ LOBOs £39.5m
■ Other Local Authorities £67.0m
■ 3 1/2 % Irredeemable Stocks £0.315m
■ Amber Green LEEF 2LLP £8.575m
■ European Investment Bank (EIB) £102.00m
■ Temporary Loans £169.00m
■ PWLB (GF) £499.219m
■ PWLB (HRA) £95.581m
■ PWLB - HRA Self Financing £223.126m

LOCAL GOVERNMENT INVESTMENTS (ENGLAND)
SPECIFIED AND NON-SPECIFIED INVESTMENTS

a. **Specified Investments** - Where there is a change in the current investment policy this is specifically noted. All investments shall consist of investments under one year as follows:

- Debt Management Agency Deposits Facility (DMADF) which is currently available for investments up to six months.

- Term deposits with the UK Government or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to one year.

- Term deposits with credit - rated deposit takers (banks and building societies) including callable deposits, with maturities up to one year.

- Certificate of Deposits issued by credit - rated deposit takers (banks and building societies) up to one year.

- AAA rated Money Market Funds (i.e. a collective investment scheme as defined in SI. 2004 No 534).

- Bonds issued by multinational development banks (as defined in SI 2004 No 534) with maturities under 12 months. The Council currently does not invest in this type of investment. It is recommended, however, that these can now be used and held until maturity, after consulting and taking advice from the treasury management consultants.

- Enhanced AAA rated Money Market Funds. These funds differ from traditional AAA Money Market Funds in that they take more interest rate risk by managing portfolios with a longer weighted average maturity period. They may also take greater credit risk by holding assets with lower credit ratings and / or have a longer weighted average life. Depending on whether the fund is UK or US administered, it would be rated by only one of the rating agencies. Hence, although the minimum requirement is an AAA rating, the rating need only be given by one of the agencies. Typically these funds are designed to produce an enhanced return and this requires the fund manager to take more risk (whether credit, interest rate or liquidity) than the traditional AAA Money Market Funds. The Council currently does not invest in this type of fund. It is recommended, however, that these can now be considered, after consulting and taking advice from the treasury management consultants subject to the same criteria as other investments.

- UK Government Gilts. These are bonds issued by the UK Government representing a very low credit risk with options to sell in the secondary market.

- UK Government Treasury Bills which are debt instruments issued by the Government's Debt Management Office through weekly auctions. The bills are issued with maturities of one, three and six months.

b. **Non-Specified investments** - Local authorities now have specific powers to invest for periods in excess of one year. Previously such investments were not permissible, except in respect of the Council's Pension Fund (where specific legislation exists). It is recommended that these shall consist of:

- Term deposits with credit - rated deposit takers (banks and building societies) with maturities greater than one year. As a general rule they cannot be traded or repaid prior to maturity. The risk with these is that interest rates could rise after making the investment and there is also the potential that there could be a deterioration of the credit risk over a longer period. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.

- Term Deposits with UK local authorities. This investment represents intra-authority loans i.e. from one local authority to another for the purpose of cash-flow management. The risk with these is that interest rates could rise after making the investment and it is therefore recommended that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers. This risk is common to all term deposits whether with local authorities or other counterparties.

- Certificate of Deposits (C.D.) issued by credit - rated deposit takers (banks and building societies) with maturities greater than one year. With these investments there is a market or interest risk. Yield is subject to movement during the life of the CD, which could negatively impact on the price of the CD if traded early. It is recommended, therefore, that the use of this investment is limited to a maximum of five years and sold on maturity following advice from the Council's treasury management advisers.

- Callable deposits with credit rated deposit takers (banks and building societies) with maturities greater than one year. These have the potential of higher return than using a term deposit with a similar maturity. The risk is that only the borrower has the right to pay back the deposit, the lender does not have a similar call, as although the term is fixed only the borrower has the option to repay early. There is, therefore, no guarantee that the loan will continue to its maturity. The interest rate risk is that the borrower is unlikely to pay back the deposit earlier than the maturity date if interest rates rise after the deposit is made.

- Forward deposits with credit rated banks and building societies for periods greater than one year (i.e. negotiated deal period plus period of deposit). The advantage of the investment is that there is a known rate of return over the period the monies are invested which aids forward planning. The credit risk is that if the credit rating falls or interest rate rise in the interim period the deposit period cannot be changed. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.

- Bonds issued by multilateral development banks (as defined by SI. 2004 No 534). These have an excellent credit quality and are relatively liquid. If they are held to maturity there is a known yield, which would be higher than that on comparable gilts.

- If traded, there could be a potential for capital gain or loss through appreciation or depreciation in value. The market or interest risk is that the yield is subject to movement during the life of the bond, which could impact on the price of the bond, i.e. if sold prior to redemption date. Given the potential for loss any investment would need to be based on the principle that they would be bought and held until maturity. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.

- Enhanced Money Market Funds. These funds differ from traditional AAA Money Market Funds in that they take more interest rate risk by managing portfolios with a longer weighted average maturity period. They may also take greater credit risk by holding assets with lower credit ratings and / or have a longer weighted average life. Depending on whether the fund is UK or US administered, it would be rated by only one of the rating agencies. Hence, although the minimum requirement is an AAA rating, the rating need only be given by one of the agencies. Typically these funds are designed to produce an enhanced return and this requires the fund manager to take more risk (whether credit, interest rate or liquidity) than the traditional AAA Money Market Funds. The Council currently does not invest in this type of fund. It is recommended, however, that these can now be considered, after consulting and taking advice from the treasury management consultants subject to the same criteria as other investments.

- UK Government Gilts. These are bonds issued by the UK Government representing a very low credit risk with options to sell in the secondary market. If held to maturity there is a known yield but if traded there could be a potential for capital gain or loss through appreciation or depreciation in value. Given the potential for loss, any investment would need to be based on the principle that UK government gilts would be bought and held until maturity. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers. If held to maturity, these bonds represent the nearest to a risk-free investment.

- Property Funds. Property funds can provide stable returns in terms of fixed period rents, whether commercial or industrial rentals. Property funds can be regulated or unregulated. An investment in share or loan capital issued by a regulated property fund is not treated as capital expenditure but an investment in an unregulated fund would count as capital expenditure. Given the nature of the property sector, a longer-term time horizon will need to be considered for this type of investment. The Council currently has invested in one property fund; the Real Lettings Property Fund Limited Partnership – see 3.5.13. It is recommended, however, that any future investments in property funds should only be considered, after consulting and taking advice from the treasury management consultants.

- Floating Rate Notes (FRNs). These are typically longer term bonds issued by banks and other financial institutions which pay interest at fixed intervals. The floating rate nature of these instruments reduces the exposure to interest rate risk as the interest rate is re-fixed at the beginning of every interest rate period. The option to redeem before maturity is available through the secondary market. It is recommended that investments in FRNs be restricted to those issued by institutions on the Council's authorised lending list, after consulting and taking advice from the treasury management consultants.

- Corporate Bonds are issued by corporate institutions for example General Electric, Vodafone etc. They offer local authorities an alternative to the usual financial institutions. For Corporate Bonds, the minimum credit rating criteria of AA- should apply to fit within the Council's investment parameters. It is recommended that the use of this type of investment can now be considered, after consulting and taking advice from the treasury management consultants.

- Covered Bonds. These are a type of secured bond that is usually backed by mortgages or public sector loans. An important feature of covered bonds is that investors have dual recourse, both to the issuer and to the underlying pool of assets. It is recommended that the use of this investment can now be considered, after consulting and taking advice from the treasury management consultants.

- Investment in equity of any company wholly owned by Croydon Council.

APPENDIX C

PRUDENTIAL INDICATORS FOR 2018/19 – 2021/2022

PRUDENTIAL INDICATORS	2018/19 Forecast Outturn £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m
1. Prudential Indicators for Capital Expenditure				
1.1. Capital Expenditure				
- General Fund	99.157	93.201	55.818	27.497
- Commercial activities/ non-financial investments	242.834	90.273	40.000	60.000
- HRA	36.814	38.451	26.951	26.951
Total	**373.316**	**221.925**	**122.769**	**114.448**
1.2. In year Capital Financing Requirement (see Table 2)				
- General Fund - gross of MRP costs	324.393	139.219	73.949	75.097
- HRA	0.000	0.000	0.000	0.000
Total in year Capital Financing Requirement	**324.393**	**139.219**	**73.949**	**75.097**
1.3. Capital Financing Requirement as at 31st March – **balance sheet figures**				
- General Fund (net of MRP costs)	995.644	1,126.663	1,190.912	1,256.009
- HRA - limit of HRA debt imposed by CLG	338.688	338.688	338.688	338.688
Total	**1,334.332**	**1,465.351**	**1,529.60**	**1,594.697**
2. Prudential Indicators for Affordability				
2.1. Ratio of financing costs to net revenue streams				
- General Fund	8.3%	9.1%	9.1%	9.1%
- HRA	12.8%	13.2%	13.2%	13.2%
2.2. General Fund impact of Prudential (unsupported) borrowing on Band D Council Tax levels (per annum)				
- In year increase	£80.00	£32.98	£16.05	£16.40
- Cumulative increase (includes MRP costs).		£178.76	£206.85	£225.66
2.3. HRA impact of additional borrowing (unsupported) on housing rents (per annum)	0	0	0	0
[The HRA's additional £223.1m debt costs are reflected in these ratios.]				
3. Prudential Indicators for Long External Debt				
3.1. Debt brought forward 1st April	986.98	1,305.030	1,436.049	1,500.298
Debt carried forward 31st March (Includes the £223.1m debt for the HRA self-financing settlement sum plus RIF & Growth Zone borrowings in future years).	1,305.030	1,436.	1,500.2	1,565.3

		049	98	95
Additional Borrowing	**318.050**	**131.019**	**64.249**	**65.097**

APPENDIX C

PRUDENTIAL INDICATORS		2018/19 Forecast Outturn £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m
3.2.	Operational boundary for external debt (excludes revenue borrowing)				
	Borrowing	1,220.11	1,351.129	1,415.378	1,480.500
	Other long term liabilities	84.920	84.920	84.920	84.920
3.3.	Total operational debt (excludes revenue borrowing)	1,220.11	1,351.129	1,415.378	1,480.475
	Add margin for cash flow contingency	50.00	50.00	50.00	50.00
	Authorised limit for external debt (includes revenue borrowing)	1,270.11	1,401.129	1,465.378	1,530.475
	Other long term liabilities	84.920	84.920	84.920	84.920
	Authorised Borrowing Limit	**1,355.030**	**1,486.049**	**1,550.298**	**1,615.395**
4.	**Prudential Indicators for Treasury Management**				
4.1.	Lending limits - upper limit for total principal sums invested for over 365 days expressed as a % of total investments	30%	30%	30%	30%

		Lower limit	Upper limit
4.2.	Maturity structure of new fixed rate borrowing, if taken, during 2017/18		
	- Under 12 months	0	20%
	- 12 months to 24 months	0	20%
	- 24 months to 5 years	0	30%
	- 5 years to 10 years	0	30%
	- 10 years and above	0	100%

APPENDIX D

MINIMUM REVENUE PROVISION POLICY STATEMENT FOR 2019/2020

1. The Council has given regard to Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003 which was revised on 2 February 2018. .

2. The Council's MRP Policy Statement for 2019/2020 is to be as follows:

2.1. For the proportion relating to historic debt (incurred up to 31 March 2008) and to Government-supported capital expenditure incurred since, the MRP policy will be to adopt Option 1 - the Regulatory Method by providing a fixed amount each financial year, calculated at 2% of the balance at 31 March 2015, reducing on a straight line basis so that the whole debt is repaid after 50 years.

2.2. For unsupported borrowing undertaken since 1 April 2008, reflected within the Capital Financing Requirement (CFR) debt liability at 31st March 2020, the MRP policy will be to adopt Option 3 – Asset Life Method – Annuity method from the Guidance. Estimated life periods will continue to be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the Guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the Guidance would not be appropriate.

3. As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

4. Where schemes are not fully completed at the end of the financial year, MRP charges will be deferred until the schemes are complete and the assets are operational.

5. MRP on Public Finance Initiative (PFI) schemes debt is to be charged on an annuity basis over the remaining life of each scheme.

6. The Council retains the right to undertake additional voluntary payments if required (Voluntary Revenue Provision – VRP).

7. There will be circumstances when the Council will not be making a provision for the repayment of debt.

8. The Authority will provide loans on a commercial basis which will be used to fund capital expenditure and thus should therefore be treated as capital expenditure and a loan to a third party. The Capital Financing Requirement

(CFR) will increase by the amount of the loans advanced and under the terms of the contractual loan agreements are due to be returned in full with interest paid. When these funds are returned to the Authority, the returned funds will be classed as a capital receipt and offset against the CFR, which will reduce accordingly. As this is in effect a temporary arrangement and the funds will be returned to the Council in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application. The outstanding loan will be reviewed on an annual basis and if the likelihood of default increases, a prudent MRP policy will commence.

9. The Authority is purchasing commercial property to be held as part of its Investment Property Portfolio. The properties are held for investment purposes and are managed on a fully commercial basis. The purchase of these properties will be treated as capital expenditure and will increase the CFR. The Council is holding these properties solely for investment purposes and they are leased to tenants on a fully repairing basis. As the Council has the ability to sell these properties to repay any outstanding debt liabilities related to their purchase, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application. The market value of the assets will be reviewed on a regular basis and if the asset value significantly decreases, a prudent MRP policy will commence.

10. The Council’s cash investment in the Real Lettings Property Fund LP under a 7-year life arrangement is due to be returned in full at maturity with interest paid on outstanding balances annually. The cash investment will be treated as capital expenditure with the Council’s Capital Financing Requirement (CFR) increasing by this amount. At maturity, the funds returned to the Council will be treated as a capital receipt and the CFR will reduce accordingly. As this is a temporary arrangement over 6 years, and as the funds are to be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, and therefore no MRP application is required.

11. Loans borrowed from Amber Green LEEF 2LLP or an alternative source to fund energy efficiency and carbon reduction schemes at certain educational institutions within the Borough will be recovered in full from these institutions. As such, there is no need to set aside prudent provision to repay the debt liability in the interim period, and therefore no MRP application is required.

LONDON BOROUGH OF CROYDON
Authorised Lending List as at 31/12/18 (Ratings as per FITCH)

LIST A

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Royal Bank Of Canada **(Canada)**	20,000,000	AA	F1+	aa	2	AAA
Svenska Handelsbanken AB **(Sweden**)	20,000,000	AA	F1+	aa	5	AAA
Morgan Stanley Money Market Fund	15,000,000	AAA				
Aberdeen Money Market Fund	15,000,000	AAA				
Goldman Sachs Money Market Fund	15,000,000	AAA				
JP Morgan Money Market Fund	15,000,000	AAA				
Royal Bank of Scotland Group Plc **(Part Nationalised) (UK)**	25,000,000	BBB+	F2	bbb+	5	AA
Debt Management Account **(UK Government Body)**	No Limits					AA

LIST B

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Australia & New Zealand Banking Group **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
Bank Of Montreal **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Bank Of Nova Scotia **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Canadian Imperial Bank Of Commerce **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Commonwealth Bank Of Australia **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
DBS Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
National Australia Bank **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
Overseas Chinese Banking Corporation Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
Toronto-Dominion Bank **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
United Overseas Bank Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
Westpac Banking Corporation **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
Nordea Bank AB **(Sweden)**	10,000,000	AA-	F1+	aa-	5	AAA
Skandinaviska Enskilda Banken AB **(Sweden)**	10,000,000	AA-	F1+	aa-	5	AAA
Swedbank AB **(Sweden)**	10,000,000	AA-	F1+	aa-	5	AAA

LENDING LIST CRITERIA

LIST A

LIMITS TO INDIVIDUAL ORGANISATIONS

Maximum Investment Limit - £20m apart from the limits on the institutions noted below.

CREDIT RATINGS

FITCH Rating in each of the following categories: F1+ on Short Term Rating
AA or above Long Term Rating
aa- or above Viability Rating
5 or above for Support Rating
AA+ or above Sovereign Rating

APPROVED ORGANISATIONS MEETING CREDIT RATINGS

ALL NON – UK BANKS that meet the FITCH ratings set out above.
ALL UK BUILDING SOCIETIES that meet the FITCH ratings set out above.
UK BANKS that meet the FITCH ratings set out above.
AAA RATED MONEY MARKET FUNDS - £15M LIMIT
DEBT MANAGEMENT OFFICE – NO LIMIT

APPROVED ORGANISATIONS NOT MEETING THE ABOVE CREDIT RATINGS

PART NATIONALISED UK BANKS – Limits as noted below:
ROYAL BANK OF SCOTLAND GROUP PLC - £25M LIMIT

LIST B

LIMITS TO INDIVIDUAL ORGANISATIONS

Maximum Investment Limit - £10m

CREDIT RATINGS

FITCH Rating in each of the following categories: F1+ on Short Term Rating
AA- or above on Long Term Rating
a+ or above Viability Rating
5 or above for Support Rating
AA+ or above Sovereign Rating

APPROVED ORGANISATIONS MEETING CREDIT RATINGS

ALL NON – UK BANKS that meet the FITCH ratings set out above.
ALL UK BUILDING SOCIETIES that meet the FITCH ratings set out above.
UK BANKS that meet the FITCH ratings set out above
ALL UK LOCAL AUTHORITIES

GLOSSARY OF TERMS USED IN THE TREASURY STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT & ANNUAL INVESTMENT STRATEGY 2018/2019

"Adjustment A"	The Prudential System came into force in 2004/05. The former system relied on the maintenance of credit ceilings for both GF and HRA to determine the MRP due for both. The new Prudential system uses figures derived from the authority's consolidated balance sheet to calculate MRP due. A safeguard was built into the new system to ensure that the transition did not lead to any artificial increase in MRP liability. This was based on calculating an amount known as "Adjustment A".
Affordable Borrowing Limit and Authorised Limit for external debit	The maximum amount the Council can borrow for capital and revenue purposes, allowing for unexpected events. It reflects a level of borrowing which, while not desirable, is affordable in the short term. This limit reflects the temporary nature of the borrowing.
Borrowing for Capital Purposes - Supported - Unsupported	The amount of borrowing to finance capital projects for which the Government will give revenue support and specific grants. Additional borrowing the Council may wish to undertake, but for which there will be no financial contribution through the grant system.
CIPFA Treasury Management Code of Practice	The professional code governing treasury management, which the Council has formally adopted.
Capital Financing Requirement (CFR)	The authority's underlying need to borrow to finance capital expenditure.
Consumer Price Index (CPI)	This is a measure of the general level of price changes for consumer goods and services but excludes most owner occupier housing costs such as mortgage interest payments, council tax, dwellings insurance, rents depreciation and the like.
FITCH	An internationally recognised rating agency which is used and approved by the Council's Treasury Advisers, Capita Asset Services.
Gross Domestic Product (GDP)	Gross Domestic Product (GDP) is a measure of a country's economic activity, including all the services and goods produced in a year within that country.

G7	The Group of Seven (G7) is an informal bloc of seven industrialised democracies – the USA, Canada, France, Germany, Italy, Japan and the UK that meets annually to discuss issues such as global economic governance, international security and energy policy.
Lenders Option / Borrowers Option Loans (LOBO's)	A form of long-term borrowing where loans run at a fixed rate of interest for a fixed period of time, after which the Lender has the option to ask for repayment or change the interest rate on pre-determined dates. If the Lender decides to exercise the option to change the interest rate the borrower can then decide whether to accept the new terms or repay the loan with no penalty.
London Interbank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Minimum Revenue Provision (MRP)	The amount which must be set aside from revenue each year to cover future repayment of loans. There is no MRP requirement for HRA borrowing.
Net Revenue Stream (NRS)	The NRS for the General Fund is the "Amount to be met from Government Grant and Council Tax contributions", as shown in the consolidated revenue account. This represents the budget requirement for the Council. The NRS for the Housing Revenue Account is the amount to be met from net rent income as shown in the HRA accounts.
Operational boundary for external debt	The maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.
Public Works Loan Board (PWLB)	Part of the Government's Debt Management Office, making long-term funds available to local authorities on prescribed terms and conditions.

APPENDIX G

COMMENTARY FOR INTEREST RATE FORECASTS AND THE ECONOMY PROVIDED BY OUR TREASURY ADVISOR LINK ASSET SERVICES

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth became increasingly strong during 2018 until slowing significantly during the last quarter. At their November quarterly Inflation Report meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. On a major assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, then the next increase in Bank Rate is forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.25 – 2.50% in December 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We therefore saw US 10 year bond Treasury yields rise above 3.2% during October 2018 and also investors causing a sharp fall in equity prices as they sold out of holding riskier assets. However, by early January 2019, US 10 year bond yields had fallen back considerably on fears that the Fed was being too aggressive in raising interest rates and was going to cause a recession. Equity prices have been very volatile on alternating good and bad news during this period.

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

- Borrowing interest rates have been volatile so far in 2018-19 and while they were on a rising trend during the first half of the year, they have backtracked since then until early January. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

For General Release

REPORT TO:	**CABINET 25th February 2019**
SUBJECT:	**Housing Asset Management Plan (HAMP) 2019-28**
LEAD OFFICER:	**Shifa Mustafa - Executive Director of Place** **Kirsteen Roe - Director of Council Homes, Districts and Regeneration**
CABINET MEMBER:	**Councillor Alison Butler - Deputy Leader and Cabinet Member for Homes & Gateway Services**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

Croydon Council has set out clear priorities for a safer, greener, economically prosperous and healthier Croydon.

The Housing Asset Management Plan (the "Plan") is intended to effectively maintain the Council's housing assets in line with the Corporate Plan and business objectives.

The Plan sets out four strategic objectives:
- Compliant, decent and energy efficient homes
- Homes in places where people want to live, work and socialise
- Residents of all ages and backgrounds shaping services
- Affordable and cost effective homes

The Plan contributes to the following aims of the Corporate Plan:
- People live long, healthy, happy and independent lives
- Our children and young people thrive and reach their full potential
- Good, decent homes, affordable to all
- Everyone feels safer in their street, neighbourhood and home
- A cleaner and more sustainable environment
- Everybody has the opportunity to work and build their career

FINANCIAL IMPACT:

The Housing Asset Management Plan aims to meet our vision and deliver key promises to residents within a financially balanced business model.

There are no direct costs arising from the implementation of the Housing Asset Management Plan. Key medium to long term financial assumptions and impacts of the Plan within the HRA Business Plan have been detailed in Section 5 of this report.

KEY DECISION REFERENCE NO.: Not a Key Decision. Recommendations are reserved to full Council for approval.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below.

1. RECOMMENDATIONS

The Cabinet is recommended to:

1.1 Note the proposed implementation and progression of the draft Housing Asset Management Plan which sets out the overarching direction, specific strategies, policies and procedures to manage the Council's housing assets over the period of 2019 to 2028; and

1.2 Recommend to Full Council that the Housing Asset Management Plan 2019-2028, Appendix 1 hereto, be approved and implemented.

2. EXECUTIVE SUMMARY

2.1 This report sets out the analysis, consultation and background behind the draft Housing Asset Management Plan ("the Plan") for the Council's owned and managed housing assets; to ensure effective maintenance and improvements in line with corporate objectives, and legal and regulatory standards for the period 2019 to 2028.

2.2 This report sets out how the Plan aims to align with the key outcomes of the Corporate Plan, considers how legislative changes have impacted upon the financial climate of the HRA and addresses the key considerations of relevant policy.

2.3 The Plan compliments the HRA 40 year Business Plan 2018. The Plan has been developed to provide clear objectives when faced with financial challenges, increased scrutiny within the social housing sector following the Grenfell Tower tragedy, and increased demand for affordable housing, growth and regeneration.

2.4 The Plan sets out the proposed approach to be undertaken to ensure the Council meets statutory requirements and the Decent Homes Standard across all our homes. Furthermore, it aims to develop an enhanced Croydon Standard to meet the needs and aspirations of our residents and provide efficient, cost effective delivery across the Asset Management, Capital Delivery for Homes and Schools, and Repairs and Maintenance services.

3. DETAIL

3.1 The HRA became self-financing in 2012, and the Council took control of the income and expenditure decisions required to manage its housing portfolio and its debt. (Before the lifting of the 'borrowing cap' the current amount of debt is £323m and the borrowing cap is £334m leaving a headroom of £11m).

3.2 The Welfare Reform and Work Act (23. Reduction in social housing rents) required that councils reduce rents by 1% per annum from 2016/17 to 2019/20. The reduction in rents meant that the HRA needed to make corresponding savings in expenditure, reducing annual spending by a total of £13.0m over the four-year period in order to maintain a balanced position.

3.3 The government had proposed an extension of the right to buy scheme to housing association tenants. The funding for this measure was intended to come from the proceeds of selling “higher value” council houses as they became available. Payments were to be made to central government in the form of a levy, with any shortfall in receipts made up from the HRA. The government has decided to no longer go ahead with this.

3.4 The ‘A new deal for social housing’ Green Paper has indicated that the Government will allow rent increases from 2020/21 and they are exploring greater flexibilities in how Councils spend Right to Buy receipts.

3.5 In the Autumn Budget 2018 the Chancellor of the Exchequer confirmed the lifting of the ‘borrowing cap,’ providing opportunities to increase investment within the HRA. This development has eased the financial pressure on the HRA.

3.6 At the start of 2018/19, Croydon’s HRA held 13,572 homes, 2,375 leaseholders and 1,101 blocks. The Council invest £26.771m for planned maintenance and and improvements and £12.392m for responsive and cyclical maintenance annually.

3.7 In addition, there are 834 homes that are managed on behalf of the General Fund, Private Landlords and Croydon Affordable Homes. These properties similarly require repair, maintenance and investment to maintain good quality accommodation.

3.8 The Council’s investment in property assets supports key objectives such as:

- Good, decent homes, affordable to all
- Everyone feels safer in their street, neighbourhood and home
- A cleaner and more sustainable environment
- Everybody has the opportunity to work and build their career

3.9 To ensure that the Council’s property assets are fit for purpose and supporting the Council’s objectives, a continuous cycle of review and challenge will be implemented and managed through a revised governance arrangement.

3.10 Key annual activities and performance have been outlined in Appendix 2 and support the delivery of the Corporate Policies. There will be an annual review of the actions and measures, and updated versions will be published each year.

3.11 Using effective asset management, the Council can deliver better outcomes for residents and provide homes in places where people want to live, work and socialise.

3.12 Croydon has achieved excellent results through investment in its housing stock:

- The Council works closely with the London Fire Brigade to ensure that blocks continue to comply with fire safety regulations.

- In response to the Grenfell tragedy in June 2017, Croydon committed to installing sprinklers in all HRA tower blocks of 10 stories and above. In 2017/18 and 2018/19 sprinklers have been installed to 1,252 homes.
- The Council has achieved a constant 99-100% of homes maintained at the decent home standard over the last seven years.
- The Council achieved an average energy efficiency rating of 68.77 points (using the Building Research Establishment's energy performance calculation Reduced Data Standard Assessment Procedure - RDSAP) in October 2018 compared against the national average of 65.6 points.

3.13 This Plan aims to build on these successes through the key objectives below:

- Compliant, Decent & Energy Efficient Homes
- Homes in Places Where People Want to Live, Work & Socialise
- Residents of All Ages & Backgrounds Involved in Shaping Services
- Affordable and Cost Effective Homes

3.14 The Plan aims to establish a 'Croydon Standard' under the Compliant, Decent & Energy Efficient Homes objective. The Croydon Standard aims to deliver more efficient services based upon agreed component replacement lifecycles and specifications across contractor partners using their industry expertise. In addition, resident feedback on their priorities has been incorporated to target future investment programmes.

3.15 Members are therefore recommended to endorse the Housing Asset Management Plan 2019-2028, Appendix 1, and Housing Asset Management Plan Targets 2019-2020, Apendix 2, hereto and recommend to Full Council that it adopt the Plan at Appendix 1 and Targets at Apendix 2.

4. CONSULTATION

4.1 Croydon has an excellent track record of involving its residents in the management of their homes and neighbourhoods, therefore the development of this Plan placed a high amount of importance on staff and resident consultation.

4.2 A number of residents from across the borough were engaged through an organised workshop at Croydon Town Hall on Monday 15th October 2018. This sample of residents was selected from the housing involvement database and represent a varied population of our residents.

4.3 Council officers at all levels were engaged at the start of the strategic development and to review the final draft. The varied viewpoints of colleagues from across the Council, including Regeneration, Planning and Finance broadened the scope and scale of the Plan to beyond housing services, ensuring the Plan also contributes to wider objectives of the Council as set out in the Corporate Plan 2018-22.

4.4 Representatives from our contractor partners Axis, Mulalley, Guideline, Anglian, AJS and Clairglow provided their views on developments in the industry, standards and specifications, and Croydon's housing supply. This input is helping to shape the development of the ‘Croydon Standard’.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no dircect financial implications arising from the approval of the Housing Asset Management Plan.

5.2 Croydon has invested in its HRA properties to ensure that it meets, and continue to achieve the Decent Homes Standard. The table below summarises the Council’s spend on housing stock over the past six years.

Table 1 – Expenditure on Housing Stock

Expenditure	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Responsive& Cyclical Repairs	12.890	10.470	11.630	11.450	10.950	12.392
Planned Maintenance& Improvements	21.950	22.080	23.220	23.550	26.120	26.771

5.3 The introduction of Self-Financing in 2012 has allowed for further investment into HRA properties, and has enabled works to be planned that are beyond the scope of Decent Homes Standard.

5.4 The table below sets out the budget and planned spend profile for responsive repairs and cyclical maintenance (revenue expenditure) and planned maintenance and improvements (capital programme of works) on the housing stock. The revenue spend savings anticipated in 2019/20 is £0.200m.

1 Revenue and Capital consequences of report recommendations

	Current year	Medium Term Financial Strategy – 3 year forecast		
	2018/19	2019/20	2020/21	2021/22
	£'000	*£'000*	*£'000*	*£'000*
Revenue Budget available				
Expenditure	12,392	12,192	12,192	12,192
Income				
Effect of decision from report				
Expenditure	12,392	12,192	12,192	12,192
Income				
Remaining budget	0	0	0	0
Capital Budget available				
Expenditure	26,771	26,771	26,771	26,771
Other	5,614	11,680	180	180
Effect of decision from report				
Expenditure	32,385	38,451	26,951	26,951
Remaining budget	0	0	0	0

5.5 Due to the nature of the programme it is likely that there will be slippage in the 2018/19 budget detailed above and this will be reported to Cabinet in July 2019 as part of the July Financial review report.

1 The effect of the decision

1.1 There are no direct costs arising from the implementation of the Plan.

2 Risks

2.1 Social housing is facing a changing landscape with:

- more scrutiny on compliance and assurance following the Grenfell Tower fire;
- improved certainty over future budgets following the end of the 1% rent reduction, removal of the High Value Voids Levy, and lifting of the Borrowing Cap; and
- increased expectation to deliver new social housing.

2.2 We will ensure that our homes comply with all relevant legislation and that we are able to provide assurance that we are compliant. More in-depth assessments of our properties, particularly relating to fire safety, could result in unexpected investment to ensure our homes remain safe.

2.3 Compliance work will be prioritised but could result in other, less essential, works being delayed because of budget limitations and contractor capacity.

2.4 The whole country and economy is faced with the uncertainty surrounding Brexit. The building industry is particularly susceptible to these changes, with a considerable proportion of the workforce originating from Europe, and materials supplied from the continent. A no deal position may result in:

- a reduced workforce and skills shortage which will delay the delivery of planned investment programmes
- shortages of materials and increased supply chain costs
- overall higher prices being passed on to the client
- construction companies of all sizes ceasing trading

3 Options

3.1 There are several scenarios identified in the HRA Business Plan 2018. These are:

- Compliant and decent homes
- Compliant, decent homes, and improvements
- Compliant, decent homes, improvements, and £2m per annum regeneration
- Compliant, decent homes, improvements, and £6m per annum regeneration

3.2 Each scenario is viable within the HRA following the lifting of the borrowing cap but the two regeneration scenarios would require additional borrowing.

3.3 The HRA business plan is reviewed annually and this review takes the financial risks detailed in section 2 into consideration. An updated version of the plan with associated recommendations, taking into consideration the likely impact of proposals within the Social Housing Green Paper, is currently in development.

3.4 The Plan has been developed with all scenarios in mind and will provide the delivery framework for whichever option is recommended.

4 Future savings/efficiencies

4.1 It is anticipated that through coordination of supply chain and components that savings can be made through increased purchasing power and ‘right first time’ repairs.

4.2 By undertaking financial assessments of homes on a regular basis it will be possible to identify high cost properties. Savings will be achieved through preventative measures (repairs and maintenance) or developing alternative approaches (disposal, conversion, extension, intensification). This should reduce the cost to the HRA.

Approved by: Lisa Taylor, Director of Finance, Investment and Risk (S151 Officer)

6. LEGAL CONSIDERATIONS

6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are a number of statutory duties in relation to housing which the delivery of this Plan is proposed to support. These include:

- Under the Housing Act 2004 local authorities have a duty to keep housing conditions in their area under review, with a view to taking any action necessary under the provisions of Part 1 of the Act
- Functions conferred on or exercisable by the Council as a housing authority (including functions conferred on the Council as a local authority in relation to the allocation of social housing and assessment of homeless persons under the Housing Act 1996 and subsequent amendments thereto and the Homelessness Reduction 2017).
- Functions of the council as a social landlord under the Housing Act 1985

6.2 In undertaking the various functions and actions proposed by the draft Plan, the Council will need to be mindful of the duties imposed under the Landlord and Tenants Act 1985, as amended, including in particular the consultation duties pursuant to Section 20.

6.3 The Deregulation Act 2015 abolished the statutory requirement for English local authorities to produce a housing strategy as previously required by section 87 of the Local Government Act 2003. However, Section 8 of the Housing Act 1985 requires every local housing authority to periodically consider housing conditions in their area and the needs of the area with respect to the provision of further housing accommodation, and the need to review housing conditions under section 3 of the Housing Act 2004.

Approved by Sandra Herbert, Head of Litigation and Corporate Law, for and on behalf of Sean Murphy, Director of Law and Governance & Deputy Monitoring Officer

7. HUMAN RESOURCES IMPACT

7.1 There are no immediate HR implications that arise from the recommendations in this report which would impact Croydon Council staff.

Approved by: Sue Moorman, Director of Human Resources

8. EQUALITIES IMPACT

8.1 An Equality Analysis process has been used to assess the actual or likely impact of the processes and procedures related to implementing the Plan. This assessment was undertaken in November 2018.

8.2 No further analysis is required as the Plan will mostly have a positive impact. Any consultation will endeavour to be as inclusive as possible. If any equalities issues arise as part of the consultation process, the Equality Analysis will be updated to reflect this.

Approved by: Yvonne Okiyo, Equalities Manager

9. ENVIRONMENTAL IMPACT

9.1 The Plan sets out clear priorities for the environmental sustainability of Croydon's housing stock and to prove affordable warmth for residents through improved insulation and the installation of central heating.

9.2 Energy efficiency measures (including upgrades to boilers, central heating systems and insulation; double-glazing, and the kind of measure referred to above for hard to heat homes such as external cladding) are a key investment priority within the planned maintenance capital programme. These measures will contribute to a reduction in CO2 emissions as well as reducing heating bills to ensure that keeping the home warm is affordable.

9.3 The Plan also sets out initiatives to improve the forums in which residents, partnering contractors and partner officers will be able to influence and encourage environmentally sustainable behaviour and practices.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 The Plan includes objectives to tackle anti-social behaviour and fly tipping through a range of measures within the Capital programme that support the Council's wider objectives to improve community safety. These may include installation of security door entry systems, environmental improvements, improved lighting, and deterrents to fly tipping hot spots.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 The Council has recognised that it is in need of an approved approach to the management of its housing assets for a number of reasons.

- The significant financial challenges faced by the Council in the future.
- Ever increasing pressures within our sector around welfare reforms and rent levels.
- The increasing demand for decent affordable housing to support our diverse and growing population.
- The opportunity to deliver much needed regeneration across the borough.

12. OPTIONS CONSIDERED AND REJECTED

12.1 The first option considered was to do nothing and continue to deliver the services as they currently stand. This would result in the Asset Management, Capital Delivery for Homes and Schools and Repairs and Maintenance services working to similar but local objectives, which would not develop the efficiencies and continuous improvement that collaborative working brings. While all three services have aligned their delivery with the Corporate Plan, delivering in silos would be less impactful. In addition, there would be opportunities for inconsistent levels of service delivery across our housing stock and the initiatives and ideas that are derived from stakeholder engagement would necessarily be shared. While we would continue to delivery our services within a balanced HRA, the prioritisation of works would not be as coordinated; resulting in reduced resident satisfaction and inefficient repairs/investment delivery.

12.2 The Plan was developed with robust stakeholder engagement and built on the success of key investments and outcomes. As it aligns with the Corporate Plan 2018-22, its conception centered on the clear corporate priorities of delivering effective asset management.

CONTACT OFFICER:	Robert Hunt, Asset Team Manager 0208 726 6000 ext. 62045
APPENDICES TO THIS REPORT:	Appendix 1 – Housing Asset Management Plan 2019-28 Appendix 2 – Housing Asset Management Plan Targets
BACKGROUND PAPERS:	None

CROYDON'S

HOUSING ASSET MANAGEMENT PLAN

2019-2028

HOMES, RESIDENTS, NEIGHBOURHOODS

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Contents

Foreword: Councillor Alison Butler, Deputy Leader, And Member For Homes & Gateway Services

I am delighted to be able to present to you the Council's Housing Asset Management Plan for the next ten years. There is a national housing crisis facing the country and local authorities have a major part to play in delivering new homes that are affordable to all. We will deliver real affordable homes for local people.

Following the tragic events at Grenfell Tower in June 2017 this Council has been a national leader in fire safety and putting our residents first. Officers immediately responded by working to protect and reassure the residents of tower blocks, and begin delivery of the country's first retrofitting of sprinklers since the fire. We will ensure that all our homes are compliant and that residents feel safe in their home. We will also campaign on behalf of our residents for funding from central government to assist with fire safety.

The Hackitt Review 'Building a Better Future' has highlighted to landlords and the construction industry that there that there are areas for improvement but also that there are areas that still lack clarity. We welcome the recommendations of the report and will ensure that we always work to industry best practice.

Since the tragic event of Grenfell there has been increased scrutiny of the provision of social housing; ranging from fire safety measures, to how residents voices are heard, and dealing with the perceived stigma attached to living in social housing. We aim to abolish inequality in Croydon by working locally with communities, partners and residents.

Our residents have stated that safe, clean streets and neighbourhoods are a priority, and we will work to deliver them through well designed communal spaces. We will work together with residents to reduce fly-tipping and increase recycling.

We are committed to providing homes that are affordable, safe and of good quality – in sustainable communities. We support the development of homes that meet the changing needs of residents throughout their lifetimes.

We will manage and maintain the properties purchased through Croydon Affordable Homes, to let to families in housing need, at genuinely affordable rents, with security of tenure. We appreciate that we have a responsibility to those in our borough who do not have a place to call home and we will work to increase our social housing stock.

Investing in all our council homes will ensure they meet the decent homes standard.

Success looks like:

- Quality homes – more existing homes are decent and meet people's needs
- Lifetime homes – homes will be suitable for residents at every stage of life
- Standards are improved by introducing a Croydon Standard
- Anti-social behaviour is reduced throughout the borough, through work with partners and local community involvement
- Croydon's recycling rate is increased and the use of plastics is reduced
- When new homes are built we will ensure they are for all needs, including genuinely affordable homes

Housing provision impacts neighbourhoods, whether that is increasing demand for school places or the need for good local transport and parks and leisure spaces. As we look at our housing needs we are also looking at the needs of communities. This is about ensuring decent, affordable homes for all that are also in great neighbourhoods.

Councillor Alison Butler
Deputy Leader, And Member For Homes & Gateway Services

Key Housing Statistics 2018/19

PROPERTY

13,500 homes in Housing Revenue Account

Of which **1,221** sheltered and special sheltered homes

1,100 blocks in Housing Revenue Account

2,400 leaseholders

834 managed homes

1,252 homes in high rise blocks have sprinkler systems

PEOPLE (LEAD RESIDENT)

Average tenant is

53 years old

18-64 years **9,499**

65+ years **3,084**

31.5% **Male**

68.5% **Female**

40.9% of tenants are Black, Asian, and Minority Ethnic (BAME)

6,618 in receipt of Housing Benefit

81% of Council owned homes are in areas of high deprivation (IMD 1-3)

PERFORMANCE

99.68% pass Decent Homes Standard

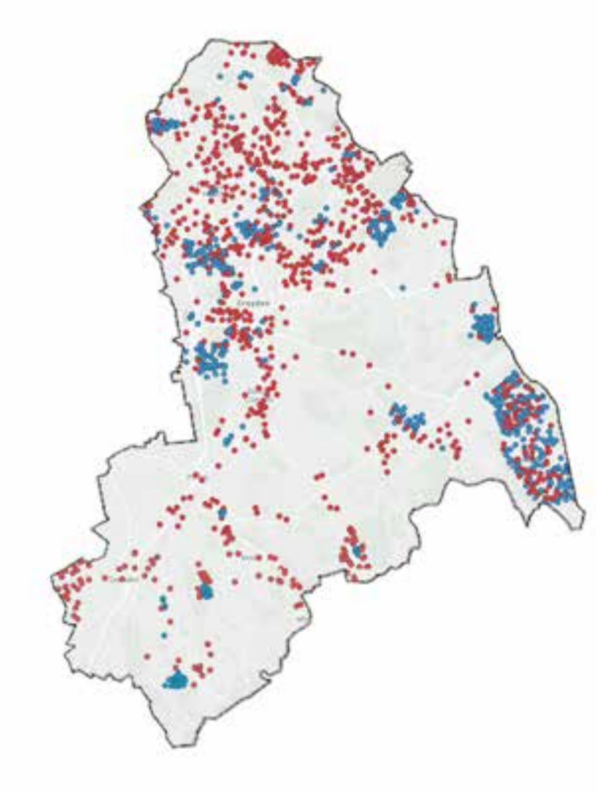
68.77 average energy rating

490 residents signed up for resident engagement activities

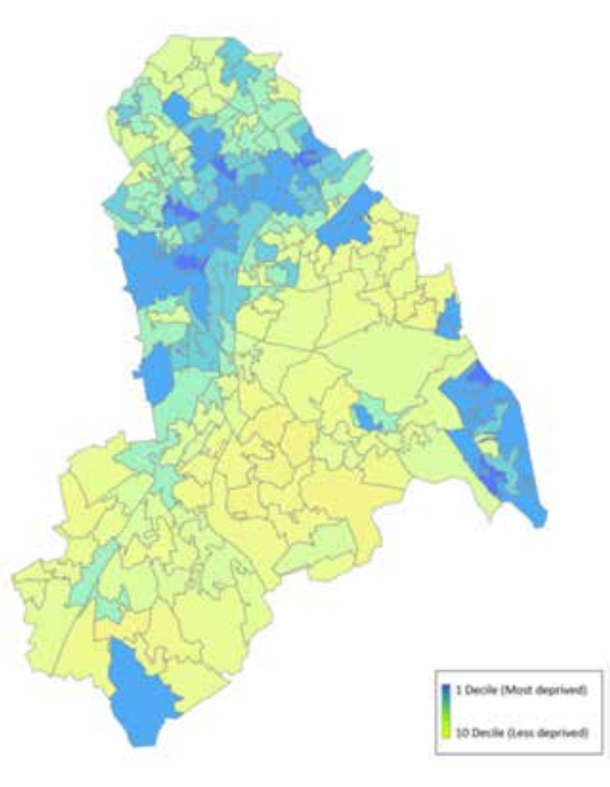
Invest **£26.7m** per year on improvements and maintenance

c. £1.2m on cyclical maintenance and **c. £11m** repairs and maintenance

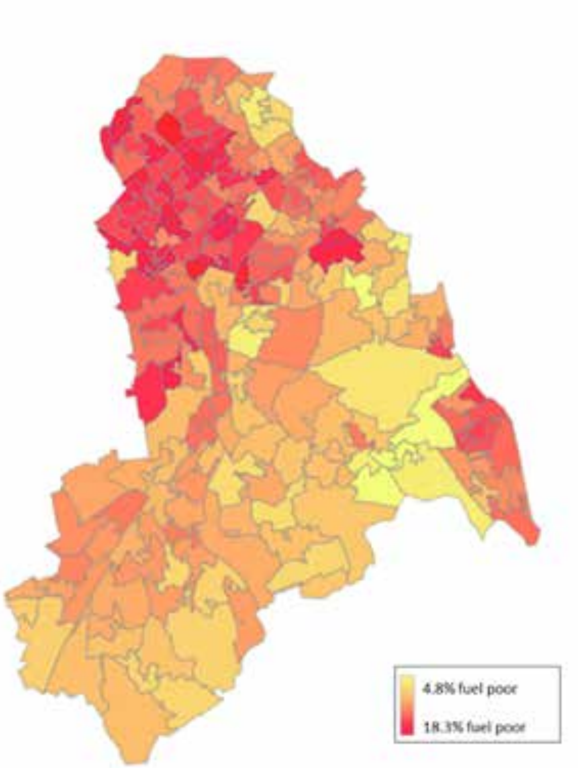
Map 1 – The distribution of Council owned homes across the borough shows a relationship with socio-economic issues.



Map 2 – 81% of Council owned homes are in areas of high deprivation (IMD 1-3).[1]



Map 3 – 66% of Council owned homes are in areas with higher than the national average levels of fuel poverty.[2]



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1. Croydon Observatory
2. 'Annual Fuel Poverty Statistics Report, 2017 (2015 Data)' (Department for Business, Energy & Industrial Strategy, 2017)

Our Vision

- Homes – providing residents properties that they are proud to call their home
- Resident Involvement – residents have a say, and their voice is heard
- Neighbourhoods – providing places where residents can live, work and socialise

"This is about ensuring all Croydon residents have a decent place they can call home in a neighbourhood where they are happy to live."

NATIONAL CONTEXT

Around **17%** of all homes nationally are social rented.[3]

There is a national shortage of housing, with estimates ranging from

240,000-300,000

new homes required every year to 2039.[4]

The 2008 climate change act commits the UK to reducing greenhouse gas emissions by

CO_2 **80%** by **2050**

Government policy is for all homes to meet nearly net zero carbon levels by 2050.

Nearly **80%** of the **2050** stock has already been built.

Grant funding was replaced by HRA Self-Financing in 2012.

The Welfare Reform and Work Bill introduced a 1% rent reduction from 2016/17 to 2020/21, and plans to sell high value voids.

Debt taken on by the Self-Financing deal pushed the HRA towards the 'borrowing cap' which prevent the development of new social rented homes within the HRA.

The **'A new deal for social housing'** Green Paper has indicated that the Government will allow rent increases from 2020/21 and the removal of the high value voids levy. In the Autumn Budget 2018 the Chancellor of the Exchequer confirmed the lifting of the 'borrowing cap,' providing opportunities to increase investment and build new homes within the HRA."

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3. 'A new deal for social housing' (Ministry of Housing, Communities and Local Government, 2018)

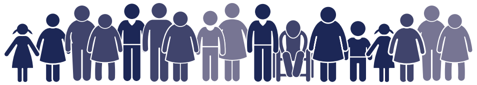
4. 'Tackling the under supply of housing in England' (Wendy Wilson, 2018)

LOCAL CONTEXT

Croydon's HRA currently owns **8.7%** of all homes in the borough, but planned new developments over the next decade will see this proportion decrease.

Croydon is London's second most populous borough with **334,837** residents, with the number expected to rise to

445,000 by 2031



2,000

new Council led developments prioritising Croydon residents and

346 street properties

purchased through Croydon Affordable Homes for families in need.

81%

of Council owned homes are in areas of high deprivation (Indices of Multiple Deprivation groups 1-3).[5]

66%

of Council owned homes are in areas with higher than the national average levels of fuel poverty.[6]

---

5. Croydon Observatory
6. 'Annual Fuel Poverty Statistics Report, 2017 (2015 Data)' (Department for Business, Energy & Industrial Strategy, 2017)

COMPLIANT, DECENT & ENERGY EFFICIENT HOMES

Our Vision

- Every home will meet the Decent Homes Standard.
- Every home will be energy efficient and help reduce fuel poverty to improve the health and wellbeing of our residents.
- Every home will meet the 'Croydon Standard' for housing to meet resident's aspirations.

What we will do

- We will remain compliant and keep up to date on changes to legislation, regularly review policies and procedures and ensure we have robust assurance reporting to strengthen residents' trust.
- Undertake Housing Health and Safety Rating assessments to address hazards in homes.
- Continue to meet the Decent Homes Standard.
- Replace old and inefficient building components with modern efficient and easy to maintain facilities.
- Improve energy performance of homes by installing energy efficient components and embracing new technologies.
- Establish a 'Croydon Standard' based upon resident priorities and contractor knowledge, and bring every home to this standard.
- Homes will be suitable for residents at all stages of life.
- Review the communal spaces to sheltered and special sheltered blocks.
- Focus on the properties most in need of investment.

HOMES IN PLACES WHERE PEOPLE WANT TO LIVE, WORK & SOCIALISE

Our Vision

- New social and affordable homes created through conversion, extension, and intensification.
- Light, clean and safe communal spaces.
- Reduced anti-social behaviour, reduced fly-tipping, and increased recycling through well designed communal spaces.
- Provision of good local facilities, such as play spaces.

What we will do

- Review the long term viability of homes and assess options for conversion, extension, intensification and disposal.
- Undertake regular inspection, repair and maintenance of external building components.
- Review anti-social behaviour hot spots and design solutions to reduce future incidents.
- Review fly-tipping hot spots and design solutions to reduce future incidents.
- Improve recycling rates by upgrading refuse and recycling facilities.

RESIDENTS OF ALL AGES & BACKGROUNDS INVOLVED IN SHAPING SERVICES

Our Vision

- Driven by the priorities of residents, they will be empowered with greater engagement over their homes and communities.
- Residents are benefitting from training opportunities and access to employment provided by contractor partners and the supply chain.
- Residents are listened to and there is a culture of accountability and respect.
- Our residents are empowered and their voices are heard to improve service delivery.
- By addressing inequality, living in social housing will be seen as a positive and equivalent to other forms of tenure.

What we will do

- Provide job opportunities, apprenticeships, work experience and training through our contractor partners and the supply chain.
- Engage with residents of all ages and backgrounds through face to face, telephone and digital technologies.
- Provide regular training, information sessions and support to develop 'expert' residents to improve Council services.
- Provide opportunities for residents to witness major works and other housing management services through regular site visits.
- Use new and emerging technologies to provide residents with new ways to engage in meetings and give feedback.
- We will work with our residents to promote the positives about living in social housing and campaign to remove stigma where there is any.

AFFORDABLE AND COST EFFECTIVE HOMES

Our Vision

- Homes are affordable for residents and cost effective for both the Council and residents.
- Maintain a balanced HRA Business Plan.
- Planned actions for cost ineffective homes to reduce the burden on budgets.
- Service delivery within contract spend limits and performance targets.
- Every home will be suitable for its tenure type.

What we will do

- Update the HRA Business Plan annually to ensure its long term viability.
- Undertake Net Present Value assessments of homes to highlight properties that are not cost effective.
- Carry out feasibility studies of poor performing homes and develop suitable plans for conversion, extension, disposal or intensification.
- Develop a disposals and acquisitions policy.
- Undertake regular monitoring of our contracts to ensure that we achieve value for money and performance standards.
- Review homes and tenure types to ensure they are appropriate.

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Housing Asset Management Plan Targets 2019-2020

The Housing Asset Management Plan 2019-28 outlines four key themes for the effective management of Council owned homes. These are:

- Compliant, decent and energy efficient homes
- Homes in places where people want to live, work and socialise
- Residents of all ages and backgrounds shaping services
- Affordable and cost effective homes

Additionally, the Plan will also support the following Corporate Plan 2018-22 objectives:

- People live long, healthy, happy and independent lives
- Our children and young people thrive and reach their full potential
- Good, decent homes, affordable to all
- Everyone feels safer in their street, neighbourhood and home
- A cleaner and more sustainable environment
- Everybody has the opportunity to work and build their career

The key activities for the period 2019-2020 are outlined below, with indicators to measure our performance.

Housing Asset Management Plan Targets 2019-2020

COMPLIANT, DECENT & ENERGY EFFICIENT HOMES

- We will remain compliant and keep up to date on changes to legislation, regularly review policies and procedures and ensure we have robust assurance reporting to strengthen residents' trust.
- Undertake Housing Health and Safety Rating assessments to address hazards in homes.
- Continue to meet the Decent Homes Standard.
- Replace old and inefficient building components with modern efficient and easy to maintain facilities.
- Improve energy performance of homes by installing energy efficient components and embracing new technologies.
- Establish a 'Croydon Standard' based upon resident priorities and contractor knowledge, and bring every home to this standard.
- Homes will be suitable for residents at all stages of life.
- Review the communal spaces to sheltered and special sheltered blocks.
- Focus on the properties most in need of investment.

HOMES IN PLACES WHERE PEOPLE WANT TO LIVE, WORK & SOCIALISE

- Review the long term viability of homes and assess options for conversion, extension, intensification and disposal.
- Undertake regular inspection, repair and maintenance of external building components.
- Review anti-social behaviour hot spots and design solutions to reduce future incidents.
- Review fly-tipping hot spots and design solutions to reduce future incidents.
- Improve recycling rates by upgrading refuse and recycling facilities.

Housing Asset Management Plan 2019-2028

RESIDENTS OF ALL AGES & BACKGROUNDS INVOLVED
IN SHAPING SERVICES

- Provide job opportunities, apprenticeships, work experience and training through our contractor partners and the supply chain.
- Engage with residents of all ages and backgrounds through face to face, telephone and digital technologies.
- Provide regular training, information sessions and support to develop 'expert' residents to improve Council services.
- Provide opportunities for residents to witness major works and other housing management services through regular site visits.
- Use new and emerging technologies to provide residents with new ways to engage in meetings and give feedback.
- We will work with our residents to promote the positives about living in social housing and campaign to remove stigma where there is any.

AFFORDABLE AND COST EFFECTIVE HOMES

- Update the HRA Business Plan annually to ensure its long term viability.
- Undertake Net Present Value assessments of homes to highlight properties that are not cost effective.
- Carry out feasibility studies of poor performing homes and develop suitable plans for conversion, extension, disposal or intensification.
- Develop a disposals and acquisitions policy.
- Undertake regular monitoring of our contracts to ensure that we achieve value for money and performance standards.
- Review homes and tenure types to ensure they are appropriate.

Key Actions

Task No.	Objective	Action	Service	Supporting Teams	Target
1	Compliant, decent & energy efficient homes	Every property to have relevant compliance certificates.	Repairs and Maintenance	Assets & Involvement; Capital Delivery for Homes & Schools	Ongoing
2	Compliant, decent & energy efficient homes	Launch the 'Croydon Standard' and standardise components.	Assets & Involvement	Capital Delivery for Homes & Schools; Repairs & Maintenance	2019-2020
3	Homes in places people want to live, work & socialise	Prioritise housing sites with fly-tipping issues and explore options.	Assets & Involvement	Tenancy & Caretaking Services; Capital Delivery for Homes & Schools	2019-2021
4	Residents of all ages & backgrounds involved in shaping services	Deliver training sessions to develop 'expert' residents.	Assets and Involvement	Learning and Organisational Development	2019-2021
5	Residents of all ages & backgrounds involved in shaping services	Refresh Resident Framework.	Assets and Involvement	Repairs & Maintenance; Capital Delivery for Homes & Schools; Housing Assessments & Solutions	2019-2020

Key Actions

Task No.	Objective	Action	Service	Supporting Teams	Target
6	Affordable and Cost Effective Homes	Undertake Net Present Value Assessments of whole housing stock.	Assets and Involvement	Repairs & Maintenance; Gateway Service Development; Housing Assessments & Solutions	2019-2020
7	Affordable and Cost Effective Homes	Assess 10% worst performing properties by Net Present Value.	Assets and Involvement	Repairs & Maintenance; Gateway Service Development; Housing Assessments & Solutions; Regeneration	2019-2021
8	Affordable and Cost Effective Homes	Launch an Acquisitions and Disposals policy and procedure.	Assets and Involvement	Assets & Involvement; Capital Delivery for Homes & Schools; Repairs & Maintenance; Tenancy	2019-2020
9	Affordable and Cost Effective Homes	Full Fibre Broadband to Social Housing	Assets and Involvement	Assets & Involvement; Capital Delivery for Homes & Schools; Repairs & Maintenance	2019-2021
10	Affordable and Cost Effective Homes	Croydon Community Energy Scheme	Assets and Involvement	Assets & Involvement; Capital Delivery for Homes & Schools; Repairs & Maintenance	2019-2021

Key Performance Indicators

KPI Ref	Objective	KPI Description	Target	Measured
1.01	Compliant, decent & energy efficient homes	Percentage of homes that have valid compliance certificates.	100%	Quarterly
1.02	Compliant, decent & energy efficient homes	Percentage of homes that meet the Decent Homes Standard.	99%	Quarterly
1.03	Compliant, decent & energy efficient homes	Average energy efficiency rating.	68%	Annually
1.05	Compliant, decent & energy efficient homes	Number of homes reporting disrepair.	0	Quarterly
1.06	Compliant, decent & energy efficient homes	Percentage of properties becoming void in year.	5%	Annually
1.07	Compliant, decent & energy efficient homes	Average void turnaround time.	11 days	Monthly
1.08	Compliant, decent & energy efficient homes	Urgent repairs completed on time.	100%	Monthly
3.01	Residents of all ages & backgrounds involved in shaping services	% residents satisfaction following improvement works	95%	Quarterly
4.01	Affordable and Cost Effective Homes	Number of homes with a negative Net Present Value calculation.	0	Annually

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For General Release

REPORT TO:	**CABINET 25 February 2019**
SUBJECT:	**Brick by Brick Business Plan 2019/20**
LEAD OFFICER:	**Shifa Mustafa, Executive Director Place**
CABINET MEMBER:	**Cllr Alison Butler, Cabinet Member for Homes, Regeneration and Planning** **Simon Hall, Cabinet Member for Finance and Treasury**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

Maximise the use of the Council's assets to deliver new homes, including affordable housing, private for sale and private rented stock.

- Enable an innovative commercial model which will benefit the Council financially and help meet savings targets.
- Brings forward the development of key sites across the borough addressing key local, regional and national policies.
- Secures improved community facilities.

FINANCIAL IMPACT:

Brick by Brick's development activity will have a positive financial impact for the Council as 100% shareholder in the company.

This income generated from the Council will be from three key elements of activity as detailed in section 5 of this report.

KEY DECISION REFERENCE NO.: N/A

1. RECOMMENDATIONS

That Cabinet, on behalf of the Council as sole shareholder of Brick by Brick Croydon Limited ("**BXB**"), approves the proposed 2019/2020 Business Plan of BXB as set out in Appendix 1 of this report.

2. EXECUTIVE SUMMARY

2.1 This paper provides a draft of the annual BXB Business Plan for 2019/20 for review by Cabinet.

3. DETAIL

3.1 The borough has established a development company, Brick by Brick Croydon Limited (BXB), to bring forward housing led development in a way which realises the full development potential of sites throughout the borough and maximises the benefit from development to local residents. Although the Council is the sole shareholder, the board of the company operates independently from the Council and on a commercial basis.

3.2 Each year, BXB develops a Business Plan relating to its activities over the forthcoming year and presents it to Scrutiny (prior to Cabinet) for review. The BXB Business Plan for 2019/20 is included as Appendix 1.

4. CONSULTATION

4.1 The structure and operation of BXB has been the subject of a number of previous Cabinet and Scrutiny reports and members have been consulted as part of these processes. In addition, ward and Cabinet members, and local MPs, are consulted by BXB as part of the development of their proposals for individual sites.

4.2 BXB also undertake a detailed public consultation and engagement process as part of their design development for individual schemes. This includes public events and drop in sessions on site to explain the proposals and seek feedback, presentations to local representative groups and dialogue with individuals who have an interest in the proposals. The results of these processes are included within the Statement of Community Involvement which are included as part of any subsequent planning application.

4.3 In addition, consultation is undertaken by the Council as local planning authority as part of the statutory planning process for all BXB schemes which are submitted for planning consent.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 The Brick by Brick business plan provides an overview of the company's operations for the forthcoming financial year. It also includes a five-year outlook in respect of the company's financial projections to inform the council, as shareholder, of the forecast financial performance of the business.

1 The effect of the decision

The key implication for the Council contained within the BXB business plan is the estimated net funding requirement driven by the company's cash flow projections. This provides an estimate of the levels of finance that the company will seek to draw down from the Council through a combination of borrowing and equity investment (on a 75:25 split) to fund its planned development programme.

BXB is currently projecting to require £78m of funding in 2019/20, which will be made up of £58.5m in borrowing (with interest charged) and £19.5m of equity investment. The Council currently has a draft budget of £30m in 2019/20 to cover BXB funding. The remainder will be covered by slippage from the 2018/19 budget of £175m, for which a budget adjustment of £100m was reported to Cabinet at Q2.

After 2021/22, BXB anticipates that it will become self-financing, with revenue from sales of housing sufficient to cover all known on-going development expenditure. In addition, as profit is generated this will also be used to pay down debt as per the terms of the lending agreements with the Council. All debt required for the current programme is projected to have been repaid by 2022.

It should be noted that all lending to BXB is on commercial terms.

2 Risks

The company's cashflow projections are updated on an ongoing basis. The projections that inform the BXB business plan are necessarily taken at a point in time and are subject to change as programme estimates shift. The key risks to the figures provided in the business plan for existing schemes are escalations to cost estimates and time delays (which result in revenue from sales being postponed). Each of these could effect both the net funding requirement and the profitability of the business (and therefore the dividends available to the Council as 100% shareholder).

To mitigate these risks, BXB's assumptions within its financial appraisals include sales estimates which are as prudent as possible. In addition cost estimates are based on detailed estimates provided by the company's cost consultancy partner, and agreed costs from completed tenders are added to the financial modelling as soon as they are available.

In addition, the BXB cashflow projections are likely to change as new schemes that are identified to be viable are developed in more detail and added to the programme. These will increase the overall profitability of the business but will require investment and may therefore change the company's funding requirement. The current cashflow model also includes an allowance for the likely cost of new schemes over the next 12 months.

3 Future savings/efficiencies

The other key implication included within the BXB business plan is an estimated profit expectation based on the current programme of work. As the sole shareholder this profit belongs to the Council, and can be taken as a series of dividends or reinvested in further development activity across the borough. The company is currently projecting to achieve a proft of c.£65m on its existing development activity.

BXB is also supporting the Council to achieve other important financial benefits. The interest charged on loans made to BXB to fund the BXB residential programme is projected to generate c.£15m for the Council.

Approved by: Lisa Taylor, Director of Finance, Investment & Risk (Section 151 Officer)

6. LEGAL CONSIDERATIONS

6.1 The Director of Law and Governance comments that under the Articles of Association of Brick by Brick Croydon Limited, the Council, through the executive, as sole shareholder of the company, is required to approve and adopt the company's Business Plan on an annual basis.

Approved by Sean Murphy, Director of Law and Governance and Deputy Monitoring Officer.

7. HUMAN RESOURCES IMPACT

7.1 There are no HR implications arising from this report.

Approved by Gillian Bevan, Head of Human Resources on behalf of the Director of Human Resources.

8. EQUALITIES IMPACT

8.1 BXB continuously evaluates it's approach to Equalities issues to ensure it is commensurate with the scale and nature of it's development programme. It examines equalities impacts in detail on a site by site basis. The impact of the activities contained within the attached BXB Business Plan on protected groups is expected to be positive. The provision of new affordable housing, maintaining and improving existing, social housing and tackling poor private housing conditions, meeting housing need and preventing homelessness, providing housing support and high quality housing management services are all expected to benefit groups with protected characteristics. Similarly, the creation of additional revenue streams to the Council allows reinvestment into Council services to benefit of all residents.

8.2 With regard to the development programme, BXB completes Statements of Community Involvement for all schemes for all schemes to ensure that there is no disproportionate impact from our development on any particular group. Statements of Community Involvement are submitted to planning, detailing how local residents and other stakeholders have been consulted and engaged in emerging proposals, and how their feedback has been incorporated. Similarly, the impact of proposals on certain protected groups is often discussed and considered through the planning process – eg DDA compliance, Lifetime homes provision, disabled parking provision etc.

8.3 The programme aims to deliver new or replacement cultural, community, educational, health, public realm and other development as part of mixed use schemes. It has also set targets to maintain a 50% affordable housing provision across the BXB residential programme as a whole (a mix of shared ownership and affordable rent) and an 8-week prioritisation period for Croydon residents to purchase/rent BXB homes when they are launched to market (with a corresponding aim to prioritise provision of homes to households and first-time buyers ahead of investors).

8.4 In essence, the BXB model aims to maximise the benefit to local residents from development activity and this principle is inherent all decision-making of the company. Its social value policy aims to ensur there is the broadest possible positive impact from BXB work beyond housing delivery, making real, tangible improvements to the lives of Croydon residents.

Approved by: Yvonne Okiyo, Equalities Manager

9. ENVIRONMENTAL IMPACT

9.1 No specific adverse environmental impacts arise from this report. Any environmental issues arising from site development are regulated by the planning and building control processes.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 No specific adverse crime and disorder impacts arise from this report. Any secure by design issues arising from site development are regulated by the planning and building control processes.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 The basis for the recommendation set out in this report are set out in previous Cabinet reports, including the opportunities to deliver real benefits to local people through developing new homes, infrastructure and community facilities, and the jobs, opportunities and stronger vibrant communities that will also flow from that growth.

12. OPTIONS CONSIDERED AND REJECTED

12.1 Options originally considered for the development of land across the borough to address housing need have included the disposal of land on the open market to enable development and the procurement of developers via development agreement to take forward sites. These were rejected as neither option is as commercially efficient as the BXB model, and nor they do not maximise the direct benefit to local residents from development in their borough.

CONTACT OFFICER:	Shifa Mustafa, Executive Director Place (LB Croydon)
APPENDICES TO THIS REPORT:	Appendix 1 - BXB Business Plan 2019/20

BACKGROUND PAPERS:

The documents below are already published

- Wholly owned housing company – an option for tackling the shortage of homes in Croydon, Cabinet 29 September 2014
- Growth for the Prosperity of All: Growth Plan & District Centre Investment and Place Plans, Cabinet 29 September 2014
- Homes – our 10 priorities, Cabinet 16 March 2015
- College Green Cultural and Educational Quarter Cabinet Report, 20 Oct 2015
- Brick by Brick Croydon Limited – Property and Financial, Cabinet, 20th June 2016
- Call-in: Brick by Brick Croydon Limited – Property and Financial, Scrutiny and Overview Committee 7 July 2016
- Stage 2: Cabinet responses to Scrutiny recommendations on Brick by Brick Croydon Limited, Scrutiny and Overview 14th Nov 2016
- Brick by Brick Development Company – Business Plan, Cabinet, 20th Feb 2017
- Brick by Brick Development Company – Business Plan, Cabinet 26th Feb 2018

BRICK BY BRICK

2019-20 Business Plan

FINAL

Issued 13.02.19

Brick by Brick Croydon Limited

Registered Number: 09578014

Contents

1. Introduction

1.1. Brick by Brick (BXB) is a development company that was established by Croydon Council to proactively lead the delivery of new homes, of all tenures, throughout the borough for the benefit of Croydon residents. It is a company limited by shares, commercial in character and run by its own board of directors. Croydon Council is the sole shareholder.

1.2. Over recent years, Croydon has rapidly become a model for suburban and city living. With excellent links to Central London, the South London suburbs, Gatwick Airport and the south coast beyond, the borough continues to undergo major economic and civic renewal including major investment in the metropolitan centre. In addition, the Council's Growth Zone aims to provide significant investment in local infrastructure including road, rail, tram and public realm, as well as new employment and cultural facilities. This creates an unrivalled context for investment and economic growth.

1.3. As a consequence, it is not surprising that the borough's population is rising and is projected to rise still further in the years ahead. One of the greatest challenges for Croydon in this context, in common with many other boroughs, is the provision of new homes to suit a variety of incomes. Aside from the quantum of homes needed, the affordability of homes for both outright purchase and rent is a key issue and increasingly challenging for many Croydon households.

1.4. Clearly, the delivery capacity of the wider development sector will continue to be instrumental if these targets are to be met, and both LB Croydon's Local Plan and the Mayors London Plan enable the development of new multi-tenure homes on appropriate sites throughout the borough. However, over the last couple of years, it has become clear that the Council needs to take a direct role in the delivery of housing if the supply challenge is to be met.

1.5. The local authority is a significant land owner in its own right, and there is real capacity for new homes to be delivered on this land. These areas of land include major regeneration sites which have been considered for development for some time as well as many smaller infill sites located throughout the borough.

1.6. Traditionally, local authorities have delivered housing on their own land via land disposal or joint venture agreements with private sector property developers, a process which often did not allow them to fully benefit from any uplift in land values and/or development returns. This experience has led Croydon, along with many other forward thinking local authorities, to think differently and seek a much more direct role in development to maximise both the delivery of housing and the financial value of land assets.

1.7. The establishment of BXB has been a huge step forward in allowing the council to address housing supply. The BXB structure has a number of characteristics that help it to satisfy the desire for new housing delivery whilst also maximising direct benefits to local communities (financial and otherwise). For example:

- BXB activity creates development profit, all of which is returned to the local authority (as sole shareholder) in the form of an annual dividend, to be reinvested in the borough;

- BXB delivers further financial benefit in the form of interest paid on loan facilities arranged between the Council and the company, as well as land value on sites that are sold to the company (with any future uplift in land value wholly secured for the Council through overage arrangements), all of which can be used to support frontline services in a time of heavily pressurised local government budgets;

- BXB delivers much needed new homes of a variety of tenures, with priority given to local residents through the sales and/or letting process for both private and shared ownership homes. Affordable rent homes are allocated to the council's housing list via Croydon Affordable Homes.

- The BXB model of delivering multiple sites simultaneously allows for commercial efficiencies which have the effect of increasing the overall quantum of affordable housing in the programme – for example, BXB often succeed in delivering 50% affordable housing within their smaller residential sites programme, far greater than the amount usually achieved on such sites as there is no requirement on private developers to do so.

- Where community facilities exist on sites to be developed, BXB aims for these to be replaced either on-site or very nearby with new, purpose built facilities which address local need. This allows for investment in public infrastructure in the course of delivering new homes.

- BXB place contractual stipulations on all their contractors with regard to the use of local employment and local supply chain, creating jobs for Croydon residents.

1.8. BXB has been actively trading for two years now and is a key economic actor in the borough, crucial to providing the wide range of housing typologies and tenures which will be necessary to service growth in the borough. This Business Plan sets out the vital role BXB will continue to play over the coming years in contributing to the borough's success.

SECTION 2

Company Aims and Objectives

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2. Company Aims and Objectives

2.1 The key aims of BXB can be summarised as follows:

- To deliver multi-tenure housing for sale and rent.
- To ensure an equitable, transparent and commercially efficient form of development which maximises the amount of affordable housing delivered through the planning process.
- To maintain an exceptionally high quality of design and delivery to ensure development activity is a positive addition to the local environment.
- To deliver new or replacement cultural, community, educational, health, public realm and other development as part of mixed use schemes.
- To deliver new commercial and/or retail development.
- To dispose of existing property and/or acquire new property in accordance with the terms of the Business Plan.
- To maintain and/or manage property assets.
- To carry out all of the above activities on a commercial basis and in the best interests of the company with a view to maximising dividend to the shareholder

2.2 The BXB board have set a series of strategic targets that have been incorporated into this Business Plan as key deliverables for BXB in the medium-term. These are currently:

- The delivery of c500 completed residential units per annum from 2019 onwards
- Maintaining a 50% affordable housing provision across the BXB residential programme as a whole (a mix of shared ownership and affordable rent)
- A profit expectation of 15% profit on cost for private units and 8% profit on cost for affordable units to returned to the shareholder (with corresponding annual profit targets set according to when schemes complete)
- An 8-week prioritisation period for Croydon residents to purchase/rent BXB homes when they are launched to market (with a corresponding aim to prioritise provision of homes to households and first-time buyers ahead of investors)

Social value

2.3 In essence, the BXB model aims to maximise the benefit to local residents from development activity and this principle is inherent all decision-making of the company. Going forward BXB is also seeking to develop and implement a defined Social Value/CSR Policy aimed at ensuring there is the broadest possible positive impact from BXB work beyond housing delivery, making real, tangible improvements to the lives of Croydon residents. This is likely to include working on bespoke initiatives with the council and innovative local organisations to further their social value objectives, providing both enabling funding and BXB staff volunteering time and expertise. The policy will be developed in consultation with local experts and organisations and will be ready for full implementation in the financial year 2019/20.

SECTION 3

Progress to Date

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3. Progress to Date

3.1 BXB has been actively trading since 2016. In this time the company has grown steadily and progressed development throughout the borough at an unprecedented pace and scale. It is important to consider this in the context of setting the Business Plan for 2019/20 and the medium-term.

3.2 In preparation for meeting the company's strategic delivery targets, a substantial amount of work was undertaken at the outset to identify local authority owned land with development potential. A detailed review of the Council's asset register and GIS mapping was conducted in order to create a pipeline list of c250 sites with capacity for over 4,000 residential units. Based on feasibility assessments, this pipeline list was subsequently broken up into tranches of sites to be taken forward to early stage design and ultimately, subject to viability, submission to planning.

3.3 To date the company has achieved planning consent on 39 schemes (incl. the existing consent for Fairfield Homes) which will enable it to deliver more than 1,250 units of housing. There are also a further 7 schemes currently submitted to the planning authority or being prepared for planning. All of this work has created the foundation for the company to start meeting the target of c.500 completed homes per annum from 2019 onwards.

3.4 Of the schemes that already have planning consent, 24 are in contract with building contractors and/or on-site, and a further 10 are being negotiated or prepared for tender. Several of the schemes that are on site have practical completion dates scheduled for the first half of 2019, starting from Jan/Feb 2019.

3.5 With units ready for sale in 2019, the company has also progressed the fit out of a central Croydon marketing suite. This is located at 62 George Street and will serve as a central location from which to manage all sales activity across the BXB programme (alongside specific show flats which will be provided on selected BXB schemes). The 'BXB Shop' will be staffed by experienced sales negotiators and mortgage advisors to support prospective buyers through the complex process of identifying the right homes to meet their affordability criteria. Meanwhile, the rest of the building will serve as the BXB company headquarters and offices, with staff working from the office space located above the marketing suite.

3.6 The BXB staff team has grown over the last year, with a number of new specialist staff joining the Development, Construction, Operations and Communications teams to address a growing workload and enable BXB to take advantage of a range of new opportunities. In 2018, the company also completed the TUPE transfer of all BXB related staff who were previously employed by Croydon Council to direct BXB employment.

3.7 Another key achievement for the company over the last year has been the growth of the in-house architecture practice 'Common Ground Architecture' (CGA). The practice has been set-up as a trading arm of BXB and has now grown to c10 FTE architects, providing architectural services for external clients as well as BXB. CGA aims to generate an annual profit through the work it delivers (both internally and externally) and as such has its own section within the company Business Plan (see Section 7). Through the work that it has completed with BXB, the practice has developed a considerable expertise in the delivery of complex infill schemes of the sort that many councils will need to consider over the coming years in order to meet housing delivery targets.

3.8 The performance of the company over the last two years has been high profile and received considerable recognition. This has included multiple prestigious awards from a variety of industry sources including Inside Housing, Housing Design Awards, New London Architecture and the Architects Journal. BXB are now considered to be a pioneer in council-led housing development, and the market leader in developing small sites responsibly with a focus on well designed and affordable housing.

SECTION 4

Market Analysis and Business Risk Assessment

4. Market Analysis and Business Risk Assessment

4.1 The dynamism of the land and property markets in London has been well documented over recent years. A wealth of information and publications continue to be produced providing detailed analysis on the housing market in the capital. However, commentators continue to report a mixed forecast for house prices in the medium term, with a range of different interpretations available concerning the impact of a number of key market factors.

4.2 Undoubtedly Brexit remains the biggest driver of uncertainty across the property market, as it does across the wider economy. In many ways the challenges posed to property developers are consistent with those in other sectors, concerned as they are with the availability of labour and the potential for cost inflation throughout the supply chain. The more unique challenge will of course be the specific impact Brexit has on the UK property market, in terms of both property values and the demand for housing.

4.3 This section examines a number of key indicators and draws together evidence regarding the impact that a range of factors (including Brexit) are having on the ability of Croydon residents to access housing. This is an important area of analysis in terms of the overall viability of the BXB business model, with implications for overall market demand, the current and future demand for affordable housing and the value of BXB housing products.

4.4 Evaluating the housing market requires an understanding of the real cost of buying or renting a property and the level of housing need. This analysis is best undertaken at a local level, and is therefore carried out for every site that BXB assesses to ensure that the schemes it develops are both financially viable and meet local need. The company also aims to maintain a wider perspective on the Croydon and London markets to help make a strategic assessment of need, opportunity and risk.

Macro Trends in the UK Housing Market

4.5 The most commonly used term to describe the UK property market at the current time is 'subdued'. The latest figures released by Nationwide[1] in January 2019 indicated that annual house price growth had almost flat-lined at just 0.1%. Halifax[2] data for December 2018 was marginally more optimistic and reported house price increases for 2018 to have held at 1.3% (albeit this was towards the bottom end of their own projections at the beginning of the year).

4.6 Anecdotally, the impact of Brexit uncertainty has become more prevalent in the minds of both buyers and sellers as the exit date draws closer. This is consistent with the prevailing mood of softening consumer confidence across the economy which was in evidence as major retailers began to report their performance over the festive period. The overarching impact of this trend is most clearly seen in market data that tracks demand.

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[1] Nationwide, *Nationwide House Price Index* (www.nationwide.co.uk/hpi), January 2019

[2] Halifax, *Halifax House Price Index* (administered by Markit), 08 January 2019

4.7 Halifax reported that the number of UK property sales has remained broadly flat over the last 5 years (with the monthly average over the last five years at 101,587 and performance in November 2018 only marginally lower at 100,930). However, the forward looking metrics are much less favourable with forecast mortgage approvals at their lowest rate since April 2018 having fallen by 4.5% in November (according to Bank of England figures). In addition the Royal Institute for Chartered Surveyors (RICS) reported that the figures in its most recent survey showed significant declines on all key metrics by the back end of 2018, particularly with regard to new buyer enquiries (which they estimated to have fallen by 21%).

4.8 Regional analysis provided by the Office for National Statistics (ONS)[3] reveals that London continues to be the weakest performing region in the UK and remains the only part of the country recording a negative house price index (with average prices having dropped by 0.7% over the year to November 2018). In fact, average prices in London have dropped in every month since July 2018.

4.9 The affordability gap in London, combined with sluggish performance at the top end of the market, are considered to be the key drivers for this continued decrease. The Bank of England's inflation report also noted that property in London continues to be disproportionately affected by regulatory and tax changes (such as stamp duty).

Outlook for 2019

4.10 The outlook for UK house prices in 2019 varies somewhat according to different reports. Market commentators are generally quite pessimistic, while estate agents and banks are managing to maintain a little more positivity. The table below identifies a series of forecasts from a range of sources across the sector, with it being clear that, at best, the pace of house prices growth will be at low single digits.

Organisation	**2019**
Halifax	2-4%
Savills	1.5%
JLL	0.5%
RICS	0%

Most analysts agree that London and the South East are likely to underperform relative to the rest of the country over the next 2 years.

4.11 The other important macro-economic indicator for BXB to consider is the Construction Price Index, given the significant impact that this has on the cost of development activity. This data is released quarterly by ONS with the most recent update available at Q3 in 2018 (see below).

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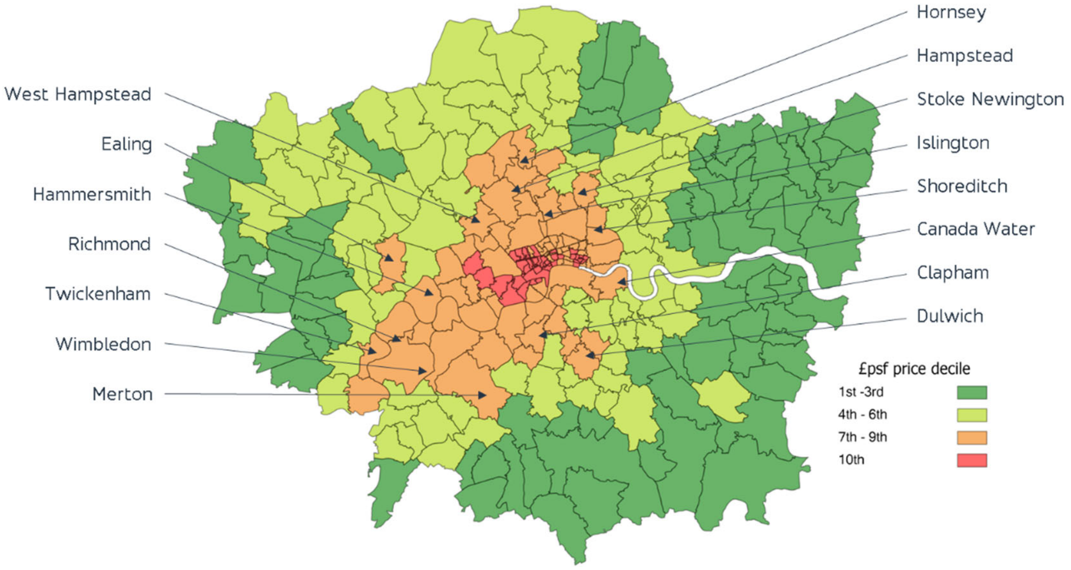
[3] Office for National Statistics, *UK House Price Index: November 2018*, 16 January 2019

	All Work	New Work	New Housing
2018 Q3 Construction Price Index[4]	2.7%	3.1%	3.0%

This data covers a wide range of construction activity, but the important measure is the one for new housing activity which shows that inflation on construction costs is currently outpacing the HPI nationally. The relationship between these metrics is an important one as it could potentially present viability challenges to new schemes that BXB intends to bring forward, requiring even more innovation in the design process to control cost.

The Croydon Market

4.12 Whilst the outlook for house prices in the capital as a whole looks relatively weak, the complexity of the London market means that there are large variations across the city. Hometrack[5] splits the London market into ten separate price bands (10 being the highest) which are distributed across post codes according to the diagram below.



4.13 This allows house price analysis to be conducted separately for each range. Current forecasts indicate that the top three or four deciles will continue to see price decreases (with some agents very pessimistic about asking prices for 2019). However, for the first time the outlook is also starting to look more mixed for the middle and lower priced deciles (which covers much of Outer London). It is logical that as prices at the top of the market begin to show signs of correcting, there will be a knock-on effect elsewhere in the capital as affordability expectations for buyers also adjust.

4.14 The trend since 2014 was for these areas to largely outperform their inner London neighbours (which was partly sparked by stamp duty changes). PWC reported that on average outer London house prices had increased 9% faster than inner boroughs over this period.

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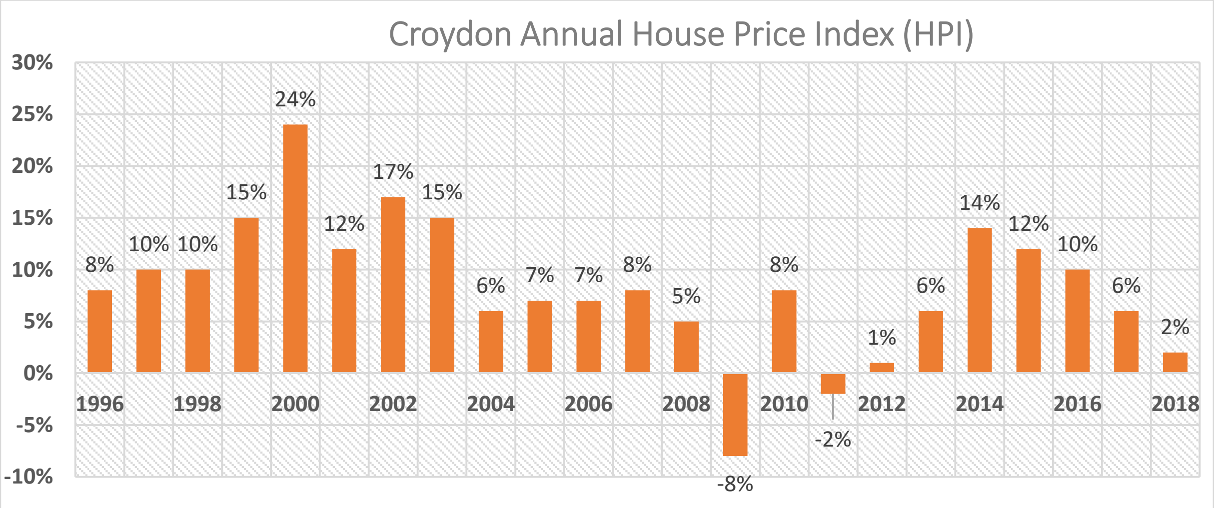
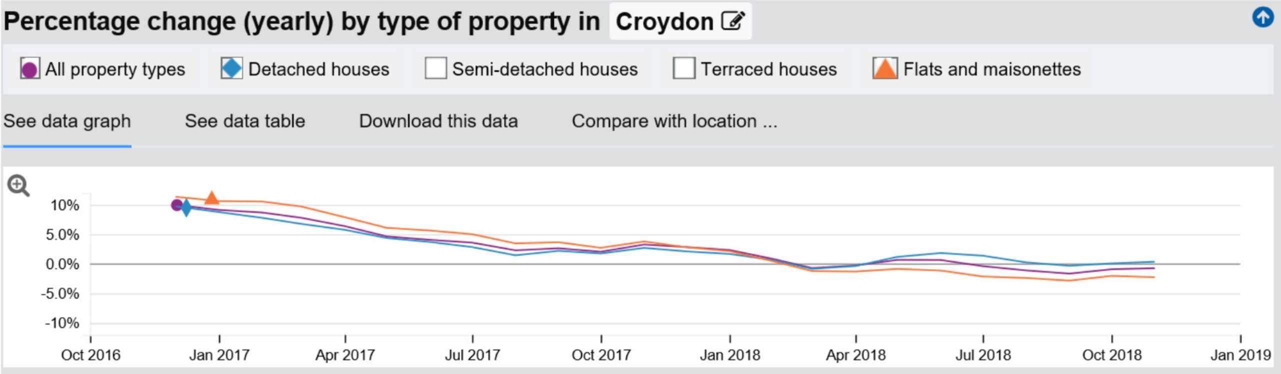
[4] Office for National Statistics (ONS), *Construction Output Price Indices (OPIs) Quarter 3 2018*, 14 November 2018
[5] Hometrack, *The London Housing Cycle - where next?* (www.hometrack.com/uk/insight/market-analysis), 21/04/17

4.15 This was positive news for Croydon which had been one of London's best performers in terms of house price growth over the five years running up to 2018 (and was estimated to be 68% according to CBRE Residential[6]). The table below shows BXB's own analysis of house price inflation in Croydon over the last two decades.



4.16 Increases in 2017 were slower than in previous years but still outperformed London (and the national average) at 6%. However, the trend line for Croydon across 2017 told a slightly less positive story, with the year-on-year percentage increase dropping throughout the year. By the beginning of 2018, the year-on-year trend for all property types had dropped to roughly 1.9%.

4.17 Data provided by BXB's valuation surveyors, Carter Jonas, shows that 2018 was one of the most challenging years for the Croydon property market for some time. Land registry data shows the trend on Croydon property values had nudged towards 0% (with some months showing negative performance). It had also been a particularly challenging year for flats and maisonettes, with prices for these types of home coming under the most pressure.



Percentage change (yearly) by type of property in Croydon

4.18 BXB's previous analysis of the Croydon market (undertaken in 2017) had indicated that a forecast HPI of 4.5% was a reasonable medium-term expectation to 2021. This projection

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[6] CBRE, *London Living 2017 – A borough by borough review*, 08 November 2017

was supported by analysis across the sector. However, ongoing uncertainty surrounding Brexit has had a demonstrably larger bearing on the performance of the local property market than had been anticipated 2 years ago, which has led to much slower increases in 2018 (as described above).

4.19 There is a general expectation that the property market will pick up post-Brexit once the precise terms of a deal have become clearer and consumer confidence starts to return on the basis of improved economic clarity. Knight Frank[7] analysts, for example, are now projecting much more modest indices for London and the UK between now and 2022 (see below), but are still projecting that modest price inflation will return from 2020.

Year	2018 (actual)	2019	2020	2021	2022
UK HPI (Knight Frank)	1.3%	2.0%	3.0%	3.5%	4.0%
London HPI (Knight Frank)	(0.7%)	1.0%	3.0%	3.5%	4.0%
Croydon HPI (BXB Forecast)	1.9%	0.0%	3.0%	3.5%	4.0%

4.20 BXB have taken a much more prudent position in terms of their projections for Croydon. The evidence from Carter Jonas, which has been used to value the company's first units to launch for sale, indicates that the local market is likely to continue to stagnate. In fact, one of the main factors that is helping to hold the market firm for new build properties is the government's Help to Buy scheme (which BXB are signed up to). This suggests that Croydon values for new builds should stabilise at current values for 2019 at least.

Impact on BXB

4.21 With the Construction Price Index running at 3.0% for new housing as at September 2018 (see 4.11 above) and HPI forecast to drop to 0% for Croydon, BXB faces a challenging market context over the next 18 months.

4.22 However, a number mitigating factors should be considered in terms of the durability of the BXB business model. Firstly, most of the existing BXB programme is either in contract or have already received tenders from contractors. This removes much of the exposure to construction price inflation. Secondly, and perhaps more importantly, BXB scheme viability appraisals are always conducted using current prices and with no expectation of property value inflation factored into proposed schemes. This insulates much of the existing programme given that the initial viabilities can now be considered to contain fairly conservative unit values (given that there has been value growth to the end of 2018).

4.23 Secondly, the wider availability of grants to support the delivery of affordable housing will provide important support to the BXB programme. The GLA has increased the grant it offers for shared ownership units to £38k for starts on site over the next two years (from £28k). This will be extremely beneficial for the BXB programme, aiming as it does to deliver at least 50% affordable housing.

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[7] Knight Frank, *Residential Research: UK Residential Market Forecast*, May 2018

4.24 Thirdly, unlike many other developers BXB has considerable potential to use tenure as a means of addressing any potential reduction in property values. This could include altering the proportions of private, shared ownership and affordable rent elements across the programme, or introducing new temporary tenures such as private rented, to address major value shifts. This is possible due to the established nature of the relationship between BXB and Croydon Affordable Homes, and also the non-cyclical nature of demand for affordable tenures in Croydon and London more widely.

4.25 It can therefore be surmised that the key risks present in the market analysis outlined in this section are most relevant to the BXB pipeline programme. However, the company's scheme gateway procedures and viability assessments ensure that schemes are only progressed where there is absolute confidence that they can be delivered. The design led nature of BXB schemes means that the panel of architects that help to deliver BXB schemes are fully involved in viability and cost efficiency considerations and are incentivised to bring forward schemes that maximise the development potential of BXB sites and which have already been rigorously tested for financial viability.

4.26 Finally the BXB pipeline programme, which is currently at initial feasibility as of January 2019 (see next section), is not forecast to deliver completed units in the second half of 2021. The market analysis conducted above indicates that there remains an expectation across experts in the sector that HPI in London (and Croydon) will recover from 2020 onwards and the new BXB pipeline schemes can be expected to benefit from this bounce.

SECTION 5

Planned Programme Activity

5. Brick by Brick Ltd – Planned Programme Activity

5.1 BXB's development programme can be broadly split into three main areas of activity:

- **Existing Programme** – consisting of 43 schemes which either have planning consent already (38) or have been submitted to planning (5)
- **College Green** – including the work on Fairfield Halls, Fairfield Homes, Fairfield Car Park and the associated public realm improvements
- **Pipeline Programme** – covering the next tranche of sites from the company's pipeline site list which will be taken from feasibility to planning over the next 12 months

Existing Programme

5.2 The planned activity with the existing programme will be primarily focussed on taking schemes through to completion throughout 2019/20. A total of 22 schemes are already on site, with a further 17 either out to tender or already at pre-contract with an expectation that they will start on site before the end of the 2018/19 financial year.

5.3 The key programme deliverable for 2019/20 is the completion of 14 sites. The projected completions are those starred in the table below, where a full breakdown of planned activity on the existing programme is provided.

5.4 The 5 schemes in planning are expected to have completed the planning process by the beginning of 2019/20, meaning they would be taken through Stage 3 design, then tendered and commence on site in 2019/20.

Phase	Scheme	Total Units	Affordable Units	% Affordable	SOS	Estimated PC
1	Auckland Rise*	57	19	33%	Dec 17	Mar 19
1	Cheriton*	27	27	100%	Dec 17	Jun 19
1	Homefield House*	24	0	0%	Dec 17	Jul 19
1	Kingsdown*	34	6	18%	Jun 18	Nov 19
1	Malton*	9	5	56%	Jul 18	Dec 19
1	Marston Way*	12	0	0%	Mar 18	Dec 19
1	Northbrook*	11	0	0%	Mar 18	Jul 19
1	Ravensdale*	31	0	0%	Dec 17	Mar 19
1	Regina	19	19	100%	Mar 18	Mar 20
1	Tollers Lane	40	18	45%	Feb 18	Jan 20
2	Academy Gardens	9	0	0%	Feb 19	Mar 20
2	Chertsey Crescent	7	7	100%	Apr 19	Mar 20
2	Coldharbour	8	8	100%	Jun 19	Jun 20
2	Drovers	9	9	100%	Jun 19	Jun 20
2	Drummond Rd	28	0	0%	Jan 19	Mar 20

2	Eagle Hill*	8	0	0%	May 19	Feb 20
2	Heathfield Gardens*	20	0	0%	Jan 19	Dec 19
2	Hermitage Gardens*	9	0	0%	Dec 18	Oct 19
2	King Henrys Drive	7	7	100%	Jun 19	May 20
2	Longheath	53	53	100%	Jun 18	Aug 20
2	Oxford Road*	9	0	0%	May 19	Feb 20
2	Station Road*	14	0	0%	Sep 18	Oct 19
2	Thorneloe	10	0	0%	Feb 19	Apr 20
2	Tollgate*	42	15	36%	Aug 18	Dec 19
2	Uvedale Crescent	6	6	100%	Apr 19	Mar 20
2	Warbank Crescent	36	36	100%	Jun 19	Jul 20
3	Avenue Road	12	7	58%	May 19	May 20
3	Coombe Road	9	0	0%	Mar 19	Apr 20
3	Coulsdon Community Centre	33	16	48%	Aug 20	Mar 22
3	CALAT	0	0	0%	Jun 19	Jun 20
3	Queens Road (Ashby Walk)	9	0	0%	Apr 19	Mar 20
3	Queens Road (Tirrell Road)	9	9	100%	Apr 19	Mar 20
3	Queens Road (Windmill Road)	6	6	100%	Apr 19	Mar 20
3	Shrublands	26	26	100%	Jun 19	Aug 20
3	Warminster	6	0	0%	Jun 19	Aug 20
3	Lion Green Road	157	79	50%	May 19	Jun 21
3	Wandle Road Car Park	128	60	47%	Mar 19	Apr 21
3	Belgrave & Grosvenor	102	50	49%	Apr 19	May 21
4	Sanderstead Car Park	14	4	14%	Jun 19	Aug 20
4	Tamworth Road	8	0	0%	Jan 20	Dec 20
4	Arkell Grove	9	9	100%	Sep 19	Oct 20
4	Bedwardine Road	22	16	73%	Sep 19	Oct 20
4	Kennelwood Close	6	5	100%	Sep 19	Oct 20
TOTALS		**1,093**	**522**	**48%**		

College Green

5.5 2019/20 is also shaping up to be a critical year for the College Green project in Central Croydon. BXB works are significantly advanced on the refurbishment of Fairfield Halls, and this work, along with the works to the Fairfield underground car park, is currently scheduled for completion in August 2019.

5.6 BXB will also be advancing work on the Fairfield Homes element of scheme located on the remainder of the site, with a view to submitting a planning application in February 2019 and starting on site with this very substantial scheme towards the end of the year.

Pipeline Programme

5.7 In order to secure a robust pipeline of work for the medium-term business outlook, BXB will also be progressing the next tranche of sites from feasibility through to Stage 2 (and planning submission) in the next 12 months. The current programme of activity should sustain the company's target completions over the next 2 years, and the new tranche will enable it to continue to meet this target for the next 12 months beyond that. BXB intends to progress a tranche of c50 sites (with capacity for c500 units) on an annual basis over the duration of this Business Plan period.

5.8 The current proposed pipeline sites to be progressed are spread across the borough as follows:

Area of the Borough	No. of Schemes	Est. No of Units
North	8	176
Central	33	252
South	9	133
TOTAL	**50**	**561**

5.9 Given that these schemes are at an early feasibility stage, the exact detail for each scheme has yet to be fully worked out. However, BXB will be aiming for 50% affordable housing provision across this tranche of which 25% will be shared ownership and 25% affordable rent (in line with its strategic targets). Based on its established development programme timescales, BXB will aim to start these schemes on site in summer 2020 with a view to completions being staged across the second half of 2021.

SECTION 6

Financial Projections

BRICK BRICK

6. Brick by Brick Ltd – Financial Projections

6.1 BXB has been established to be wholly financially self-sufficient, with all costs relating to the operation of the business covered by the proceeds of development. Initial analysis work on potential sites takes the form of a desktop capacity study by the internal Design and Development teams, followed by more detailed site due diligence (title, planning, geotechnical, utilities, etc) as necessary. This work informs a financial appraisal and the Board then decides, subject to viability, funding and conformity with the Business Plan, whether to approve further formal design and development work through the RIBA stages.

6.2 One of the key aims of the company is to bring forward land with the potential for development and a number of suitable sites have been identified in Croydon, the majority of which are in Council ownership. Sites which are suitable for development are purchased by BXB at market rates, often via an option agreement which is subject to a number of conditions including planning related clauses and overage arrangements which allows the council as landowner to fully capture any unexpected land value uplift.

6.3 The company also purchases land from the private sector, both strategically and speculatively, where there is a business case for doing so. Such purchases are reported to the Board for approval along with a financial appraisal which details the financial reasoning for the acquisition.

6.4 The full cost for each development site (including land, financing, construction and all associated fees) is appraised against revenue generating potential with the aid of specialist consultants. Each appraisal also includes an amount to cover corporate overheads and management costs (e.g. finance, company admin, etc).

6.5 Revenue for each scheme takes the form of sales values from private, affordable rented and shared ownership units, and rental value from any retained residential units and non-residential uses. Sales and rental values are calculated with reference to achieved sales values for similar units and an analysis of market trends in that location. In general, the margin hurdle for BXB developments is approximately 15% profit on cost for private schemes.

6.6 Initially, the Council provides the sole source of development finance. Repayment of any debt by BXB provides an additional revenue stream to the council as it has the ability to borrow at very competitive rates to service this lending. All borrowing by BXB is site specific and subject to an individual loan agreement. The borrowing is secured against land and includes numerous pre-conditions on drawdown as well as ongoing performance measurements. These terms are reflected in the cost inputs to each site appraisal.

6.7 All of this information feeds into the company's financial planning process which allows it to make detailed projections as to the levels of planned expenditure and likely revenue from sales. The gap between the two, which will largely be driven by timing (given the intention to generate returns on all sites), provides an estimate of the company's financing requirement which will need to be met in order for it to commence activity. Each element of the overall financial projection is summarised in detail below.

6.8 These estimates are monitored and reviewed regularly as part of a robust financial management cycle in order to provide a periodic review of actual spending on a site-by-site basis against the granular elements of the detailed financial appraisals. A change process is initiated in the event that appraisals need to be adjusted as estimates crystallize, and all key variations and exceptions are reported upwards (including a periodic Board report). All of this information is also integrated into detailed cash flow projections to give the company sufficient Treasury control.

Projected Development Costs

6.9 BXB development expenditure has been projected based on the programme activity outlined in Section 4 of the Business Plan. It has therefore been split according to the 3 different areas of the programme identified.

6.10 The 43 schemes that make up the existing programme are all at a sufficient stage of maturity for detailed cost estimates to be known. A full financial viability appraisal has been prepared for each of these schemes and approved by the Board. The expenditure projections for this element of the programme has been prepared based on an amalgamation of the detailed information contained within each viability appraisal.

6.11 The College Green scheme operates slightly differently. The Fairfield Homes element of the project is a standard residential scheme and therefore has a financial viability like any other BXB scheme to capture expenditure, revenue and expected profit. The Fairfield Halls and Public Realm elements are purely expenditure (with no profit element) and are therefore based on a set of detailed cost plans. Finally, the Fairfield Car Park is a revenue generating project but is modelled differently to a standard residential scheme, necessitating a bespoke financial appraisal. Each of these elements has been combined to generate a summary of College Green as a whole.

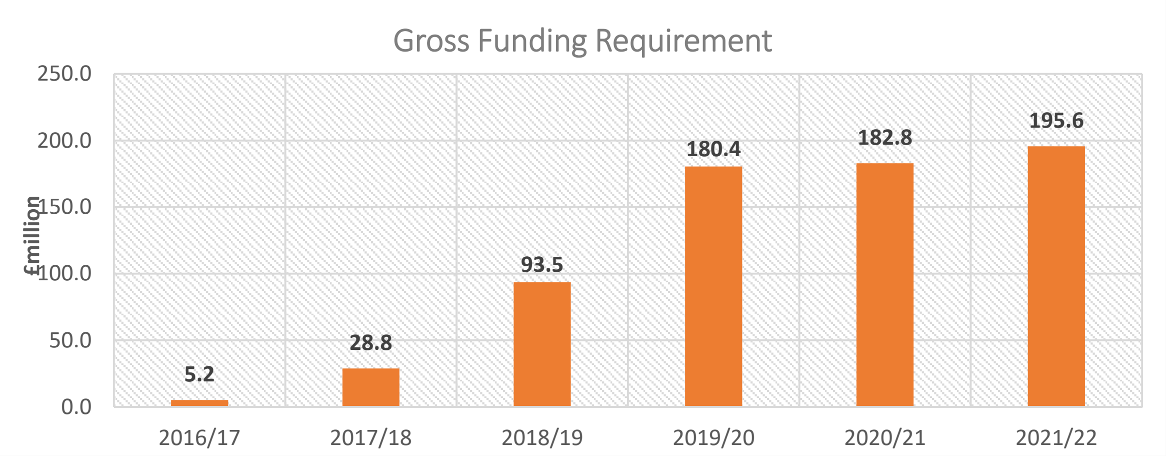
6.12 Finally, the new pipeline sites are at a much earlier stage of development than the other residential schemes in the BXB programme. Without any detailed design work having been undertaken, it is not possible to create detailed cost estimates for these schemes. However, broad capacity studies have been prepared and the company is therefore able to project what it expects to spend on these schemes based on average cost rates across the existing programme.

6.13 A summary of the forecast expenditure for the business as a whole over the medium-term is provided below (based on the projection methodologies described above):

Activity	Existing Programme (£m)	College Green (£m)	Pipeline Programme (£m)	Total Development Expenditure (£m)
Land & Construction Costs	264.40	150.05	168.01	**582.46**
Fees & Contingency	41.46	17.84	26.34	**85.64**
Planning Costs	9.44	1.01	6.00	**16.45**
Capitalised Interest	10.91	17.38	6.93	**35.22**
Sales Costs	5.54	3.63	3.52	**12.69**
Working Capital	3.67	1.44	2.33	**7.44**
Grant	(10.86)	(13.84)	(6.57)	**(31.27)**
TOTAL	**324.56**	**177.51**	**206.56**	**708.63**

6.14 This combined development activity will be delivered over the next four years to 2022/23. Figure 1 shows the overall expenditure profile for the company over the period covered by this business plan (and the 3 previous years) based on the projections included within each element of the programme above.

Figure 1 – Gross expenditure profile



Projected Revenues

6.15 Each of the sites included in the programme of development has been appraised by comparing the projected cost of development against the income generating potential of the scheme. Only projects that can demonstrate a sufficient level of return are taken forward.

6.16 The company is projecting revenue streams to be achieved from the sale of private and shared ownership units, as well as the transfer of affordable rent properties to Croydon Affordable Homes. Ongoing rental income will be generated from shared ownership units and rents on non-residential units, as well as ground rent on private flats. Anticipated revenues have been calculated based on market expectations and trends in each site location.

6.17 The current portfolio of projects (excl. Fairfield Homes) is projected to deliver total receipts of £364m, with a further £231m to be generated by the pipeline sites (based on an extrapolation of values from the existing programme). Overall, this would generate a profit of c£65m on the total investment in the BxB residential programme detailed in 5.14.

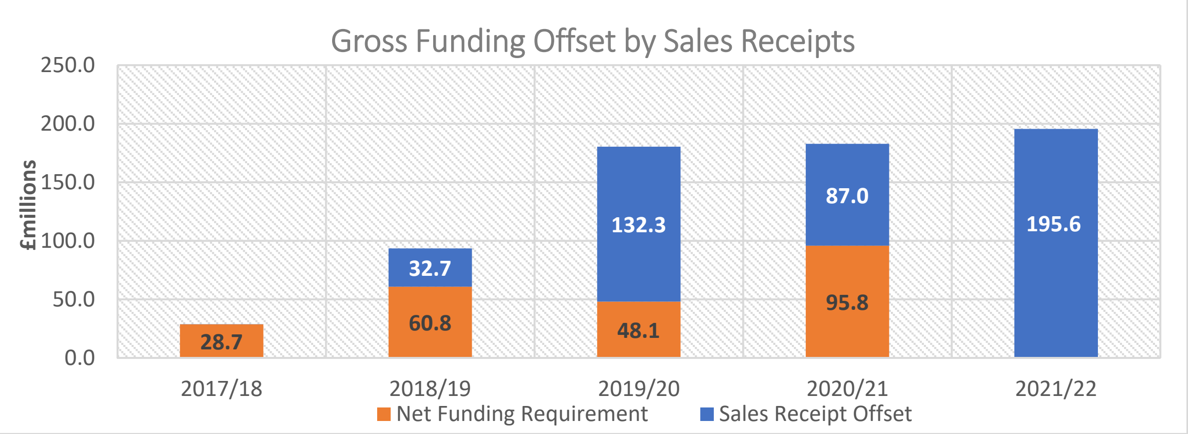
6.18 A summary of projected sales income is shown below.

Type of Sale	**Existing Programme (£m)**	**College Green (£m)**	**Pipeline Programme (£m)**	**Total Development Revenue (£m)**
Private	218.43	140.52	133.21	**492.16**
Shared Ownership	93.89	22.62	52.28	**168.79**
Affordable Rent	45.50	0.00	44.26	**89.76**
Commercial	3.47	12.03	0.00	**15.50**
Other	3.05	2.34	1.64	**7.03**
TOTAL	**364.34**	**177.51**	**231.39**	**773.24**
ESTIMATED PROFIT	**39.78**	**-**	**24.83**	**64.61**

6.19 BXB revenues started to be generated from mid-2018 when income from Croydon Affordable Homes (CAH) for the delivery of affordable rent units commenced based on construction starting. Sales will ramp up significantly from March 2019 when the first schemes containing private and shared ownership units are forecast to part-complete (Auckland Rise and Ravensdale Gardens).

6.20 Revenue from sales will be used to offset development expenditure and reduce borrowing in order to minimise the levels of debt interest accrued (as demonstrated in Figure 2).

Figure 2 – Estimated offset of revenue to gross expenditure

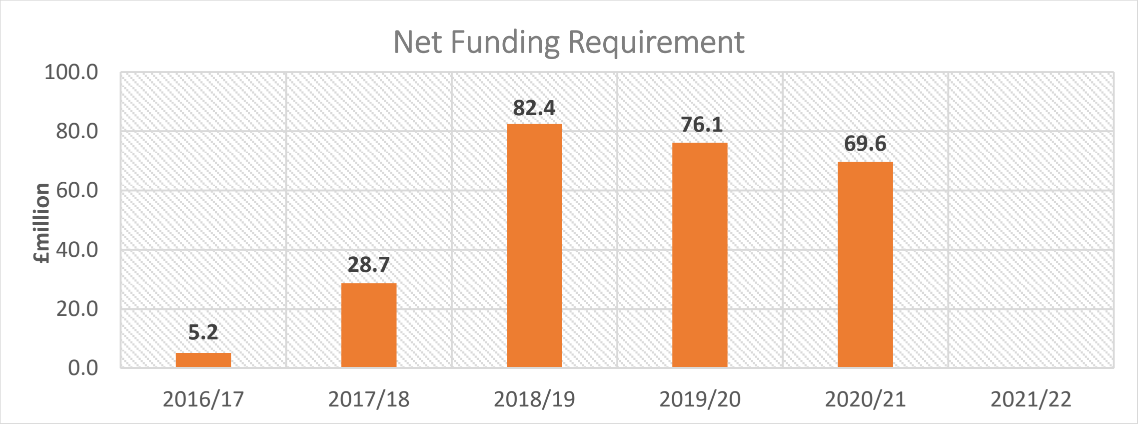


Financing Arrangements

6.21 Initially, the Council will be the sole provider of development finance. Repayment of interest on this debt (and return on equity investment) by BXB will therefore generate a revenue stream for the Council given its ability to borrow at competitive rates to service this lending.

6.22 Given the expected offset of development expenditure against revenue as BXB starts to commence sales activity (see Figure 2), a total net financing requirement of £262m is currently projected for BXB. This takes into account the profile of expenditure versus income, and considers where sales receipts are available to offset expenditure and also allow debt to be run down (if required). This will be profiled over the next five years according to Figure 3 below, with peak borrowing shown as August 2021 in Figure 4.

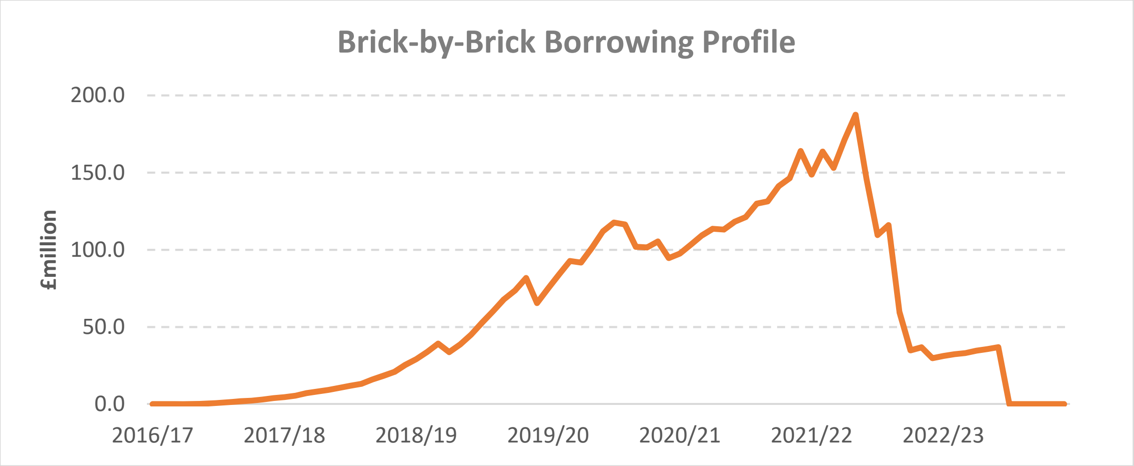
Figure 3 – Profile of net financing requirements



6.23 All borrowing is defined by comprehensive loan agreements for each site which ensure that financing is secured against land and is subject to stringent pre-conditions. A regular financing schedule is shared with the Council to give it sufficient notice to arrange and funds will be drawn down on a periodic basis according to these programme projections. From a BXB perspective, the profile of borrowing is optimised to provide maximum cash flow security while also minimising interest costs.

6.24 BXB has agreed with the Council that financing will be arranged on a 75:25 split between borrowing and equity. On this basis, BXB borrowing is expected to peak at £196m. The repayment of principal will be reviewed annually, and will be largely dependent on how the company's development activity is expanding, as well as its access to other forms of financing. The current profile of accumulated debt shown in Figure 4, and demonstrates an assumption that BXB will repay all borrowing by October 2022 (accruing interest of c£35m over this period).

Figure 4 – Cumulative borrowing balance



Financial Targets

6.25 Based on the figures included in the overall BXB financial projections detailed above, the Board has decided to set a series of annual targets for the business to achieve in terms of the value generated for the shareholder (i.e. LB Croydon). These targets are summarised below:

Target	**2019/20 (£m)**	**2020/21 (£m)**	**2021/22* (£m)**	**TOTAL (£m)**
Profit	10.32	5.51	15.03	**30.86**
Land Value Released	3.04	2.21	3.86	**9.11**
Debt Repaid	0.00	0.00	118.80	**118.80**
Interest Accrued	6.44	7.91	8.46	**22.81**

*the 2021/22 projections exclude the pipeline programme (until more detailed financial viability assessments have been undertaken), although an expected projected profit margin is included at 6.18

6.26 These targets are intended to act as the key financial performance indicators for BXB as a whole, and will be monitored closely on a monthly basis and regular reports to the Board. The Board has set the 2019/20 figures as fixed targets for the forthcoming financial year. The 2020/21 and 2021/22 targets are indicative at this stage and will be reviewed and set annually when the business plan is published prior to each financial year.

SECTION 7

Operating Costs

7. Brick by Brick Ltd – Operating Costs

7.1 To deliver a development programme of the scale that is outlined in this Business Plan, BXB has recognised the need to expand staffing structures in order to create a sufficient level of capacity. As described in Section 3, BXB became an employing entity in its own right in 2018/19. This has allowed it to expand staffing levels across the Development and Construction teams, and within Common Ground Architecture. This expansion will continue into 2019/20 with the ultimate aim of growing the number of staff working for BXB to c37.

7.2 The company's operating costs are currently provided for by an allowance that is included within every individual scheme viability appraisal to ensure that a proportion of the revenue generated by each development is used to fund the operating costs of the company (which include staff costs alongside other operating overheads such as office accommodation, legal, ICT, HR, insurance and other corporate functions, some of which are purchased from LB Croydon).

7.3 A working capital provision of £7.30m is included within the current financial modelling for the existing programme. This allowance as been used to cover the operation of BXB over the last three financial years since it began trading in 2016 (so 2016/17, 2017/18 and 2018/19).

7.4 The annual operating budget for the company is projected to be as follows over the next three years:

Target	**2019/20 (£m)**	**2020/21 (£m)**	**2021/22 (£m)**
BxB Staff	1,811	1,811	1,811
Accommodation	131	150	150
ICT	75	75	75
HR & Finance	20	20	20
Insurance	50	50	50
Legal	100	100	100
Common Ground Architecture Contribution	(123)	(130)	(130)
TOTAL	**2,064**	**2,076**	**2,076**

7.5 The operating allowance included in the existing programme is therefore estimated to be sufficient to cover the company's cost to 2020/21 (which includes all operating expenditure to date as noted above). This underlines the importance of bringing forward the next tranche of schemes from the list of pipeline sites in order to generate sufficient allowance to cover the company's operational expenditure from 2021/22 onwards. Paragraph 6.13 demonstrates that each additional 650 units added to the BXB programme creates a working capital allowance of c£2.3m. The company therefore aims to set an operating budget that is within this level and aims to consistently bring forward enough development schemes on an annual basis to support the organisation.

7.6 Common Ground Architecture operates as an internal trading account. This essentially means that it charges fees for all work that it undertakes (whether internal to BXB or for external clients) in the way that an ordinary architecture practice would. This means that the cost of running Common Ground Architecture (CGA) is not covered by the BXB operating allowance. Instead, where CGA acts as architect for a BXB scheme it charges a fee to the scheme under the design fees allowance. Similarly, where it performs client side design monitoring on behalf of BXB, its fee is charged to a different element of the scheme viability (e.g. professional fees). This means that the cost of operating CGA is not included in the figures above (instead a detailed business plan for the practice is included in Section 8 of the Business Plan). However, a contribution towards corporate overheads is factored into the CGA business plan and is offset against the overall BxB operating cost projections.

SECTION 8

Common Ground Architecture - Business Plan

BRICK BRICK

8. Common Ground Architecture – Business Plan

8.1 Common Ground Architecture (CGA) is the trading name for BXB's internal design team which has been set up to operate as an architectural practice. It is a trading arm of the business (with its own internal profit and loss account) that is able to charge commercial fees and is expected to generate a profit. The practice consists of a small team of architects (currently 6 and growing) which take instructions from either BXB (for internal projects) or external clients, with fees charged for both.

8.2 In terms of the work undertaken for BXB, the practice is delivering on the following instructions:

- Design review and compliance for Brick by Brick projects (including brief writing, design review and provision of design expertise and guidance throughout the development and construction process)
- Acting as the lead architect on a number of specific BXB schemes (including 24 Station Road, 44B Portland Road, Avenue Road, Fairfield Homes Block 7 and the BXB office at 62 George St)

8.3 On an annual basis, CGA prepares a planned programme which demonstrates the projects that it expects to work on (both internal and external), the fees generated by these projects, and how this will offset the cost of running the practice in order to contribute a profit to BXB as a whole. This also allows the practice to undertake capacity planning where demand for services is expected to exceed current resourcing constraints, and make provision in the form of short term temporary injections of architectural capacity or permanent recruitment (where the uplift in demand is expected to be more permanent).

8.4 The 2019/20 summary Business Plan for Common Ground Architecture is outlined in the table below. This is based on an expectation that the practice has capacity to work on 12 smaller projects each year with a build cost of c£2.5m, alongside the corporate design role for BxB outlined above.

	2019/20 (£000s)	**2020/21 (£000s)**	**2021/22 (£000s)**
BxB Corporate Design Services	150	150	150
Existing BxB Projects	32	0	0
Existing External Projects	62	0	0
New Smaller Projects	560	650	650
TOTAL INCOME	**804**	**800**	**800**
Staff Costs	(511)	(500)	(500)
Supplies & Services	(20)	(20)	(20)
Operating Overheads	(150)	(150)	(150)
TOTAL EXPENDITURE	**(681)**	**(670)**	**(670)**
TARGET PROFIT	**123**	**130**	**130**
TARGET MARGIN	**15%**	**16%**	**16%**

8.5 This model is considered to be beneficial for BXB because the profit generated by the practice is returned to the company's annual profit and loss position overall. This means that the profit margin that would otherwise be paid to an external practice as part of their fee for undertaking the design of a scheme is actually retained by the business. Furthermore, it allows the company to maintain a level of internal expertise which provides valuable quality control for the wider BXB programme.

REPORT TO:	**Cabinet 25 February 2019**
SUBJECT:	**Stage 1: Recommendations Arising From Scrutiny**
LEAD OFFICERS:	**Jacqueline Harris Baker, Executive Director Resources** **Stephen Rowan – Head Of Democratic Services and Scrutiny**
LEAD MEMBER:	**Councillor Sean Fitzsimons** **Chair, Scrutiny and Overview Committee**
WARDS:	**ALL**
CORPORATE PRIORITY/POLICY CONTEXT:	**The constitutional requirement that Cabinet receives recommendations from Scrutiny Committees and to respond to the recommendations within two months of the receipt of the recommendations.**

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations contained within this report:

1. RECOMMENDATIONS

Cabinet is asked to:

1.1 Receive the recommendations arising from the Scrutiny & Overview Committee (11 December 2018) and from the Children & Young People Scrutiny Sub-Committee (27 November 2018) to provide a substantive response within two months (i.e. at the next available Cabinet meeting on **25 March 2019**)

2. EXECUTIVE SUMMARY

2.1 Recommendations that have been received from the Scrutiny and Overview Committee and its Sub-Committees since the last Cabinet meeting are provided in Appendix A. The constitution requires that an interim or full response is provided within 2 months of this Cabinet meeting.

3. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

3.1 There are no financial implications arising directly from the contents of this report.

4. LEGAL CONSIDERATIONS

4.1 The recommendations are presented to Cabinet in accordance with the Constitution.

4.2 This requires that the Scrutiny report is received and registered at this Cabinet Meeting and that a substantive response is provided within 2 months (i.e. **Cabinet, 5 March 2019** is the next available meeting).

CONTACT OFFICER: Stephen Rowan, Head of Democratic Services and Scrutiny

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Email: stephen.rowan@croydon.gov.uk

BACKGROUND DOCUMENTS:

Background document 1: Reports to the Children & Young People Scrutiny Sub-Committee on 27 November 2018.

https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=167&MId=1514&Ver=4

Background document 2: Reports to the Scrutiny & Overview Committee on 11 December 2018.

https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=166&MId=1520&Ver=4

Appendix A

Scrutiny Recommendations: Stage 1

Committee	Meeting Date	Agenda Item	Conclusion	Recommendation	Cabinet Lead	Officer Lead
Scrutiny & Overview	11/12/2018	Fairfield Halls	During the discussion of the Fairfield Halls item the Committee were advised that there had not been any engagement with the Mobility Forum regarding the accessibility of the venue and as such felt that this should be undertaken prior to opening.	That the project leads meet with Councillor Andy Stranack and the Mobility Forum to provide reassurance in regard to the accessibility of the redeveloped Fairfield Halls	Oliver Lewis	Paula Murray
Scrutiny & Overview	11/12/2018	Question Time: Cabinet Member for Culture, Sport & Leisure	The Committee felt that Croydon had a significant musical heritage and agreed that this needed to be celebrated.	That plans to introduce the Music City scheme in Croydon should also include provision to celebrate the Borough's musical heritage	Oliver Lewis	Paula Murray
Scrutiny & Overview	11/12/2018	Question Time: Cabinet Member for Culture, Sport & Leisure	The Committee was keen to receive an update on the scope of the Allotment Review and progress made to date.	That a short briefing note is prepared for Committee on the status of the Allotment Review.	Oliver Lewis	Verena Trend
Scrutiny & Overview	11/12/2018	Question Time: Cabinet Member for Culture, Sport & Leisure	The Committee had a concern that many of the byelaws relating to local parks were out dated and difficult to enforce and as such agreed to recommend that they be reviewed.	That a review is undertaken of the byelaws in place in the Council's parks to ensure that they remain relevant and fit for purpose.	Oliver Lewis	Verena Trend
Scrutiny & Overview	11/12/2018	Evening & Night Time Economy Strategy	Although welcoming of the aims of the Strategy, the Committee agreed that its success would be judged on its outcomes and as such felt that these needed to be tangible and deliverable.	That the Evening and Night Time Economy strategy had SMART, deliverable outcomes	Hamida Ali, Oliver Lewis & Manju Shahul-Hameed	Emma Lindsell

Committee	Meeting Date	Agenda Item	Conclusion	Recommendation	Cabinet Lead	Officer Lead
Scrutiny & Overview	11/12/2018	Evening & Night Time Economy Strategy	The Committee endorsed the approach to visit district centre as part of the formation of the Strategy and was keen to ensure that the final Strategy retained a borough-wide view.	That the Strategy retained a strong focus across the borough and not just the town centre.	Hamida Ali, Oliver Lewis & Manju Shahul-Hameed	Emma Lindsell
Scrutiny & Overview	11/12/2018	Evening & Night Time Economy Strategy	The Committee was keen to ensure that the final Strategy was representative of the borough.	That the strategy reflected the diversity of the borough.	Hamida Ali, Oliver Lewis & Manju Shahul-Hameed	Emma Lindsell
CYP Scrutiny	27/11/2018	Children's Improvement Plan Update	The Sub-Committee felt it was important to understand how any improvement to priority 7 of the Improvement Plan (Creating a culture of shared ownership and social work values) would be monitored in order to assess whether the intended outcomes were being realised	That evidence be provided to the Sub-Committee on the progress of Priority 7 of the Improvement Plan through timescales of implemented actions	Alisa Flemming	Kerry Crichlow
CYP Scrutiny	27/11/2018	Special Education Needs	The Sub-Committee had concerns about the effectiveness of the consultation process given that it was being run during a busy holiday period	That the Consultation period be extended in light of the holiday period, in order to afford people further opportunity to respond	Alisa Flemming	Alison Farmer
CYP Scrutiny	27/11/2018	Special Education Needs	The Sub-Committee recognised that many Members' would welcome the opportunity to feed into the consultation process	That Officers circulate information to Members on how they would be able to participate in the consultation process	Alisa Flemming	Alison Farmer

Committee	**Meeting Date**	**Agenda Item**	**Conclusion**	**Recommendation**	**Cabinet Lead**	**Officer Lead**
CYP Scrutiny	27/11/2018	Special Education Needs	The Sub-Committee agreed that the support and input from partners would be vital to the success of the Strategy	That reference to support from the partners (Health, CCG) be made evident within the Strategy	Alisa Flemming	Alison Farmer
CYP Scrutiny	27/11/2018	Special Education Needs	The Sub-Committee was concerned that Croydon had one of the highest rate of 16-25 year olds not in work education or training	That the Strategy needed to prioritise and target support to 16-25 year olds which was an area that required immediate intervention	Alisa Flemming	Alison Farmer
CYP Scrutiny	27/11/2018	Special Education Needs	The Sub-Committee felt that it was difficult to benchmark or measure the outcome of the performance of children with SEN due to the varying complex needs and individual attainment targets set	There was a need to be more explicit on accountability for the attainment of SEN	Alisa Flemming	Alison Farmer
CYP Scrutiny	27/11/2018	Special Education Needs	The Sub-Committee raised concerns regarding the content of the Strategy which appeared to lack definitive detail on the decisions and actions to be implemented	The final report needed to be written in a way that would make it clear to the public	Alisa Flemming	Alison Farmer
CYP Scrutiny	27/11/2018	Special Education Needs	The suggestion that an Implementation Plan would follow the strategy did not provide assurance to the Sub-Committee of the actions that would be taken to deliver on its outcomes	The Strategy must make clear how it proposed to achieve its intended outcomes	Alisa Flemming	Alison Farmer

Committee	Meeting Date	Agenda Item	Conclusion	Recommendation	Cabinet Lead	Officer Lead
CYP Scrutiny	27/11/2018	Special Education Needs	While the objectives of the strategy were clear it was unclear how improvements to the lives of children and families with SEN would be achieved	There was a need for the voice of the child to be explicit throughout the Strategy.	Alisa Flemming	Alison Farmer
CYP Scrutiny	27/11/2018	Performance of Academy Schools in Croydon	The Sub-Committee felt that it was difficult to understand the process regarding the exclusion of children and the Fair Access Panels	That further information be provided to the Sub-Committee on exclusions and the flow of children through the education system	Alisa Flemming	Shelley Davies
CYP Scrutiny	27/11/2018	Performance of Academy Schools in Croydon	The Sub-Committee concluded that the Local Authority did not have sight of managed transfers	That an improved monitoring process for managed transfers was required to ensure the Local Authority had better oversight of outcomes for children involved in the process.	Alisa Flemming	Shelley Davies

REPORT TO:	**Cabinet 25 February 2019**
SUBJECT:	**STAGE 2: RESPONSE TO RECOMMENDATIONS ARISING FROM: SCRUTINY AND OVERVIEW COMMITTEE ON 30 OCTOBER 2018 & STREETS, ENVIRONMENT AND HOMES SCRUTINY SUB-COMMITTEE ON 6 NOVEMBER 2018**
LEAD OFFICERS:	**Jacqueline Harris Baker, Executive Director Resources and Monitoring Officer**
CABINET MEMBERS:	**All**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT:	**The constitutional requirement that Cabinet receives recommendations from scrutiny committees and to respond to the recommendations within two months of the receipt of the recommendations**.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below:

1. RECOMMENDATIONS

Cabinet is recommended to approve the response and action plans attached to this report at Appendix A and that these be reported to the Scrutiny and Overview Committee or relevant Sub-Committees.

2. EXECUTIVE SUMMARY/DETAIL

2.1 This report asks the Cabinet to approve the full response reports arising from the Stage 1 reports presented to the Cabinet meeting held on 10 December 2018 including:

- Action plans for the implementation of agreed recommendations, or
- Reasons for rejecting the recommendations

and that these be reported to the Scrutiny and Overview Committee or relevant Sub-Committees.

2.2 The Constitution requires that in accepting a recommendation, with or without amendment, from a Scrutiny and Overview Committee or Sub-Committee, the Cabinet shall agree an action plan for the implementation of the agreed recommendations and shall delegate responsibility to an identified officer to report back to the Scrutiny and Overview Committee or Sub-Committee, within a specified period, on progress in implementing the action plan.

3. SCRUTINY RECOMMENDATIONS

3.1 The Scrutiny recommendations are contained in the schedule in the appendix to this report.

3.2 The detailed responses including reasons for rejected recommendations and action plans for the implementation of agreed recommendations are contained in the appendices.

4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

4.1 The recommendations in this report may have a financial implication and as each recommendation is developed the financial implication will be explored and approved.

5. LEGAL CONSIDERATIONS

The recommendations are in accordance with the constitution.

6. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

6.1 These are contained in the appendix to this report.

7. OPTIONS CONSIDERED AND REJECTED

7.1 These are contained in the appendix to this report.

CONTACT OFFICER:	Stephen Rowan, Head of Democratic Services and Scrutiny T: 020 8726 6000 X 62529 Email: stephen.rowan@croydon.gov.uk

BACKGROUND DOCUMENTS:

Background document 1: Reports to the Scrutiny and Overview Committee on 30 October 2018.

https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=166&MId=1519&Ver=4

Background document 2: Reports to the Streets, Environment & Homes Scrutiny Sub-Committee on 6 November 2018.

https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=170&MId=1493&Ver=4

SCRUTINY RECOMMENDATION	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPT/ REJECT RECOMMENDATION (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
SCRUTINY AND OVERVIEW COMMITTEE - At its meeting on 30 October 2018, the Committee **RESOLVED** to:						
1. That representations made by the Council calling for fair funding for outer London Boroughs are shared with Committee Members.	Councillor Simon Hall Resources	Accept	Lisa Taylor	N/A	All representations made by the Council with regards to fair funding have been shared with the committee.	11/02/19
2. That an update on the implementation of a system for notifying local Members about the S106 & CIL funds raised in their Wards be provided.	Councillor Simon Hall Resources	Accept	Steve Dennington	N/A	For S106 income received Spatial Planning will notify Ward Members on a quarterly basis of the income available on the Council's S106 balance sheet. The detail will include the planning application reference, site address, the purpose of the S106 contribution and whether the contribution is project specific and/or location specific. The S106 balance sheet including this detail will be circulated for Q3 2018/19 shortly. The CIL collected by Ward will be provided by Spatial Planning as part of the CIL Annual Monitoring Report published by the 31st December each year for the financial year previous. Given the recent publication of the 2017/18 CIL Annual Monitoring Report, the Ward detail for this year will be circulated shortly.	TBC

SCRUTINY RECOMMENDATION	**DEPARTMENT AND CABINET MEMBER RESPONDING**	**ACCEPT/ REJECT RECOMMENDATION (inc. reasons for rejection)**	**IDENTIFIED OFFICER**	**ANY FINANCIAL IMPLICATIONS**	**TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)**	**DATE OF SCRUTINY MEETING TO REPORT BACK**
SCRUTINY AND OVERVIEW COMMITTEE - At its meeting on 30 October 2018, the Committee **RESOLVED** to:						
3. That the Cabinet Member for Finance & Resources takes action to ensure that Members are informed when s106 and CIL agreements have been negotiated in their Ward, including confirming for what purpose the funds had been secured.	Councillor Simon Hall Resources	Accept	Steve Dennington	N/A	Linked to the above, Spatial Planning for S106 will include the purpose the funds were received for as part of the quarterly reporting. This is not possible for CIL as CIL is collected for a number infrastructure projects and types, so is not specific to a purpose (infrastructure type / project).	TBC
4. Recommend to each Cabinet Member that a tracker is maintained of all Scrutiny recommendations which come under their responsibility.	All Cabinet Resources	Accept	Simon Trevaskis	N/A	This is currently being developed and will be completed and shared with Members by the end of February 2019.	TBC
5. That the Committee be provided a breakdown of Council contractors, categorised by business model.	Councillor Simon Hall Resources	Accept	Sarah Warman	N/A	The LLW information on Tier 1 contracts has been circulated to the committee.	11/02/19
6. Recommend to the Cabinet Member for Economy and Jobs that a comprehensive strategy is developed to set out how the Council will provide support for all forms of co-operatism and social enterprise.	Councillor Manju Shahul Hameed Place	Accept	Emma Lindsell	TBC	Included as a priority in the emerging Economic Growth Strategy 2018 – December 2019 Comprehensive action plan to be developed in Q2 19/20	Cabinet Member Question Time – April 2019

Appendix

SCRUTINY RECOMMENDATION	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPT/ REJECT RECOMMENDATION (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
STREETS, ENVIRONMENT AND HOMES SCRUTINY SUB-COMMITTEE - At its meeting on 6 November 2018, the Committee **RESOLVED** to:						
1. Recommend to the Cabinet Member for Environment, Transport and Regeneration for exact timescales to be provided on the resolution of outstanding recommendations.	Councillor Paul Scott (Voting Job Share) Place	Accept	Steve Iles	N/A	This will be brought to March Scrutiny Sub-Committee to update on all the outstanding recommendations listed in the report taken to the meeting on 6 November 2018.	19/03/19
2. Recommend to the Cabinet member for Environment, Transport and Regeneration for a review of Public bye-laws to take place despite constraints.	Councillor Paul Scott (Voting Job Share) Place	Accept	Steve Iles	TBC	A review will be carried out of bye-laws in the borough, looking to collate a composite list of all bye-laws and reviewing their necessity at present.	02/07/19
3. Recommend to Optivo, Caysh, CCHA and Thames reach to work extensively to encourage their contractors to pay staff the London Living Wage.	Councillor Manju Shahul Hameed Resources	Accept	Emma Lindsell	TBC	Presentation to be given to next RSL group meeting – 29.01.19 Individual engagement re. Good Employer Charter – Feb 2019 Member follow up if required – April 2019	Cabinet Member Question Time – April 2019
4. Recommend that the Council should lead on having an annual review of Registered Housing Providers performance in the borough	Councillor Alison Butler Gateway	Partially Accept	Yvonne Murray	N/A	The Housing and Planning services are committed to working closer with registered providers to ensure bioth closer partnerships and the best outcomes for Croydon residents. However, as Social housing providers, are regulated by the Regulator of Social Housing and are required to comply with codes of practice and regulatory guidance (economic and consumer), which limit the degree to which the Council can	TBC

SCRUTINY RECOMMENDATION	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPT/ REJECT RECOMMENDATION (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
					performance manage registered providers. To that end, it is proposed to have an annual stakeholder engagement with registered providers and, where we identify problems, we will work with the relevant provider to deliver necessary corrective actions.	
STREETS, ENVIRONMENT AND HOMES SCRUTINY SUB-COMMITTEE - At its meeting on 6 November 2018, the Committee **RESOLVED** to:						
5. Recommend that all registered housing providers in Croydon to improve their partnership working within Croydon and with the Council.	Councillor Alison Butler Place	Partially Accept	Yvonne Murray	N/A	Spatial Planning's housing enabling service has already re-established partnership working with developing RPs, through meetings, telephone contact and regular updates, and of course, the round table event. Gateway Services also meet regularly with the borough's RPs to discuss issues relating to Gateway Services and welfare reform. The Council will continue to actively work closer with registered providers in order to improve relationships and partnership working.	TBC
STREETS, ENVIRONMENT AND HOMES SCRUTINY SUB-COMMITTEE - At its meeting on 6 November 2018, the Committee **RESOLVED** to:						

SCRUTINY RECOMMENDATION	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPT/ REJECT RECOMMENDATION (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
6. Recommend a review of Croydon's overall approach to its relationship with Registered Housing Providers in Croydon and report back to this committee.	Councillor Alison Butler Place	Accept	Yvonne Murray	TBC	Spatial Planning's Housing enabling could potentially input into this, assuming it is led by the operational services, by reporting on its activity and relationships with developing RPs in the provision of new affordable housing. Gateway and Housing Services will continue to work to improve relationships with all RPs in the borough.	TBC

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Croydon Council

REPORT TO:	**Cabinet 25th February 2019**
SUBJECT:	**Investing In Our Borough**
LEAD OFFICER:	**Sarah Warman, Director of Commissioning & Procurement** **Jacqueline Harris Baker, Executive Director Resources & Monitoring Officer**
CABINET MEMBER:	**Councillor Simon Hall** **Cabinet Member For Finance And Resources**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON: Effective outcome based commissioning and prudent financial transactions contribute to all corporate priorities.

The Council's commissioning strategy sets out the approach to commissioning and procurement and puts delivery of outcomes at the heart of the decision making process. As the Council develops more diverse service delivery models, it is important to ensure that our contractual and partnership relationships are not only aligned to our corporate priorities but also represent value for money for citizens and taxpayers, contributing to the growth agenda for Croydon.

FINANCIAL SUMMARY: There are no direct costs arising from this report.

KEY DECISION REFERENCE NO.:
There are key decisions mentioned in this report, but approval of the Recommendations would not constitute a key decision.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1 RECOMMENDATIONS

1.1 The Cabinet is requested to note:

1.1.1 The contracts over £500,000 anticipated to be awarded by the nominated Cabinet Member, in consultation with the nominated Cabinet Member for Finance and Resources or, where the nominated Cabinet Member is the Cabinet Member for Finance and Resources, in consultation with the Leader.

1.1.2 The list of delegated award decisions made by the Director of Commissioning and Procurement, between 12/12/2018 – 11/01/2019.

1.1.3 Property acquisitions and disposals to be agreed by the Cabinet Member for Finance and Resources in consultation with the Leader since the last meeting of Cabinet.

2 EXECUTIVE SUMMARY

2.1 This is a standard report which is presented to the Cabinet, for information, at every scheduled Cabinet meeting to update Members on:

- Delegated contract award decisions made by the Director of Commissioning and Procurement 12/12/2018 – 11/01/2019;
- Contract awards and strategies to be agreed by the Cabinet at this meeting which are the subject of a separate agenda item;
  [As at the date of this report there are none]
- Contracts anticipated to be awarded under delegated authority from the Leader by the nominated Cabinet Member, in consultation with the Cabinet Member for Finance and Resources and with the Leader in certain circumstances, before the next meeting of Cabinet;
- Delegated contract award decisions under delegated authority from the Leader by the Nominated Cabinet Members for Finance and Resources & for Children, Young People & Learning related to the new Addington Valley SEN School;
  [As at the date of this report there are none]
- Delegated contract award decisions under delegated authority from the Leader by the Cabinet Member for Finance and Resources & Cabinet Member for Families, Health & for Social Care related to the Crosfield House Redevelopment;
  [As at the date of this report there are none]
- Property acquisitions and disposals agreed by the Cabinet Member for Finance and Resources in consultation with the Leader since the last meeting of Cabinet;
- Partnership arrangements to be agreed by the Cabinet at this meeting which are the subject of a separate agenda item.
  [As at the date of this report there are none]

3 DETAIL

3.1 Section 4.1.1 of this report lists those contracts that are anticipated to be awarded by the nominated Cabinet Member.

3.2 Section 4.2.1 of this report lists the delegated award decisions made by the Director of Commissioning and Procurement, between 12/12/2018 – 11/01/2019.

3.3 Section 4.3.1 of this report lists the property acquisitions and disposals to be agreed by the Cabinet Member for Finance and Resources in consultation with the Leader since the last meeting of Cabinet.

3.4 The Council's Procurement Strategy and Tender & Contracts Regulations are accessible under the Freedom of Information Act 2000 as part of the Council's Publication Scheme. Information requested under that Act about a specific procurement exercise or contract held internally or supplied by external organisations, will be accessible subject to legal advice as to its commercial confidentiality, or other applicable exemption, and whether or not it is in the public interest to do so.

4 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

4.1 Proposed Contract awards

4.1.1 Revenue and Capital consequences of contract award decisions to be made between £500,000 to £5,000,000 by the nominated Cabinet Member in consultation with the Cabinet Member for Finance and Resources or, where the nominated Cabinet Member is the Cabinet Member for Finance and Resources, in consultation with the Leader.

Contract Title	Contract Revenue Budget	Contract Capital Budget	Dept/Cabinet Member
Cycle Training for Children, Young People and Adults	£945,000 (Contract length 5+2 years)		Environment, Transport & Regeneration / Cllr Scott

4.2 Contract Awards

4.2.1 Delegated award decisions made by the Director of Commissioning and Procurement.

Revenue and Capital consequences of delegated decisions made by the Director of Commissioning and Procurement for contract awards (Regs. 18, 27 a & b) between £100,000 & £500,000 and contract extension(s) previously approved as part of the original contract award recommendation (Reg. 27.d) and contract variations (Reg.29).

CONTRACT VARIATIONS & EXTENSIONS					
Contract Title	**Value of Contract to Date**	**Value of Extension Term**	**Total Revenue value including extension term**	**Contract Capital Budget**	**Dept/Cabinet Member**
Idox Uniform Regulatory Services contract	£191,859	£76,000 (1 year extension)	£267,859		Finance & Resources / Cllr Hall

CONTRACT VARIATIONS & EXTENSIONS					
Contract Title	**Value of Contract to Date**	**Value of Extension Term**	**Total Revenue value including extension term**	**Contract Capital Budget**	**Dept/Cabinet Member**
Idox Uniform Building Control and Development Management contract	£694,954	£144,000 (1 year extension)	£838,954		Finance & Resources / Cllr Hall
Targeted Prevention Services Coordination & Befriending service	£160,000	£40,000 (6 months extension)	£200,000		Families, Health & Social Care / Cllr Avis
Pool Car Contract	£225,000	£225,000 (1 year extension)	£450,000		Environment, Transport and Regeneration / Cllr Scott
Project Management and Employer's Agent (Primary Schools Expansion Programme 2017)	£246,000	£62,000 (2 years extension)		£308,000	Children, Young People & Learning / Cllr Flemming
Quantity Surveying Services (Primary Schools Expansion Programme 2017)	£101,000	£40,000 (2 years extension)		£141,000	Children, Young People & Learning / Cllr Flemming
Income Management, Cash Receipting and Electronic Payment processing system	£960,000	£330,000 (1 year extension)	£1,290,000		Finance & Resources / Cllr Hall

CONTRACT VARIATIONS & EXTENSIONS					
Contract Title	**Value of Contract to Date**	**Value of Extension Term**	**Total Revenue value including extension term**	**Contract Capital Budget**	**Dept/Cabinet Member**
Youth offending service support worker (Supported Housing Services)	£215,450	£33,390 (1 year extension)	£248,840		Homes & Gateway Services / Cllr Butler
Young people's and care leavers accommodation and support call-off contract (Supported Housing Services)	£3,874,765	£545,475 (1 year extension)	£4,420,240		Homes & Gateway Services / Cllr Butler
Turnaround Centre Drop in Zone (Supported Housing Services)	£2,015,064	£278,866 (1 year extension)	£2,293,930		Homes & Gateway Services / Cllr Butler
First base and supported lodgings contract (Supported Housing Services)	£1,493,416	£200,084 (1 year extension)	£1,693,500		Homes & Gateway Services / Cllr Butler
DASV Accommodation and floating support service (Supported Housing Services)	£825,000	£165,000 (1 year extension)	£990,000		Homes & Gateway Services / Cllr Butler
Ex-Offenders service contract (Supported Housing Services)	£473,618	£157,872 (1 year extension)	£631,490		Homes & Gateway Services / Cllr Butler

CONTRACT VARIATIONS & EXTENSIONS					
Contract Title	**Value of Contract to Date**	**Value of Extension Term**	**Total Revenue value including extension term**	**Contract Capital Budget**	**Dept/Cabinet Member**
Community Fund Service	£5,862,265	£935,000 (6 months extension)	£6,797,265		Finance & Resources / Cllr Hall & Safer Croydon & Communities / Cllr Ali
Prevention Fund Services	£4,317,818	£272,000 (6 months extension)	£4,589,818		Finance and Resources / Cllr Hall & Families, Health & Social Care / Cllr Avis
Croydon Recovery Network (Turning Point)	£16,152,877	£2,691,925 (1 year extension)	£18,844,802		Families, Health & Social Care / Cllr Avis

4.3 Property Acquisitions and Disposals

4.3.1 Revenue and Capital consequences of property acquisitions and disposals over £500,000 to be agreed by the Cabinet Member for Finance and Resources in consultation with the Leader of the Council.

Contract Title	**Disposals**	**Acquisitions**	**Dept/Cabinet Member**
Acquisition of Angel Lodge (Care home to allow continued local resident use)		Please refer to background document	Finance & Resources/ Cllr Hall in Consultation with the Leader of Council

Approved by: Ian Geary, Head of Finance - Resources on behalf of Lisa Taylor, Director of Finance, Investment and Risk and Section 151 Officer.

5 LEGAL CONSIDERATIONS

5.1 The Director of Law and Governance comments that the information contained within this report is required to be reported to Members in accordance with the Council's Tenders and Contracts Regulations and the council's Financial Regulations in relation to the acquisition or disposal of assets.

Approved by: Sean Murphy, Director of Law and Governance and Deputy Monitoring Officer.

6 HUMAN RESOURCES IMPACT

6.1 There are no immediate HR issues that arise from the strategic recommendations in this report for LBC staff. Any specific contracts that arise as a result of this report should have their HR implications independently assessed by a senior HR professional.

Approved by: Sue Moorman, Director of Human Resources

7 EQUALITY IMPACT

7.1 An Equality Analysis process has been used to assess the actual or likely impact of the decisions related to contracts mentioned in this report and mitigating actions have been defined where appropriate.

7..2 The equality analysis for the contracts mentioned in this report will enable the Council to ensure that it meets the statutory obligation in the exercise of its functions to address the Public Sector equality duty (PSED). This requires public bodies to ensure due regard to the need to advance equality of opportunity; foster good relations between people who share a "protected characteristic" and those who do not and take action to eliminate the potential of discrimination in the provision of services.

7..3 Any issues identified through the equality analysis will be given full consideration and agreed mitigating actions will be delivered through the standard contract delivery and reporting mechanisms.

8 ENVIRONMENTAL IMPACT

8.1 Any issues emerging in reports to the relevant Cabinet member will require these considerations to be included as part of the standard reporting requirements, and will not proceed without full consideration of any issues identified.

9 CRIME AND DISORDER REDUCTION IMPACT

9.1 Any issues emerging in reports to the relevant Cabinet Member will require these considerations to be included as part of the standard reporting requirements, and will not proceed without full consideration of any issues identified.

CONTACT OFFICER:

Name:	Rakhee Dave-Shah
Post title:	Head of Commissioning and Procurement (Corporate)
Telephone no:	63186

BACKGROUND DOCUMENTS:
The following public background reports are not printed with this agenda, but are available as background documents on the Croydon Council website agenda which can be found via this link Cabinet agendas

- *Cycle Training for Children, Young People and Adults*
- *Acquisition of Angel Lodge*